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NOTE

The term 'Britain' is used informally in the *Survey of Current Affairs* to mean the United Kingdom of Great Britain and Northern Ireland. 'Great Britain' comprises England, Wales and Scotland.

Criminal Justice

A revised Criminal Justice Bill, with new clauses covering such issues as the carrying of knives and other offensive weapons, received a second reading in the House of Commons on 18 January.

The Bill was originally given a second reading in November 1986, its provisions covering such questions as serious fraud, sentencing, confiscation of proceeds of crime, statutory compensation for victims of violent crime, the admissibility of evidence, changes in the jury system, extradition and young offenders (see pp 379-82, 1986). The Bill, with the exception of the provisions on serious fraud (see p 190, 1987), did not pass into law because of the general election of June 1987. The votes for the Bill were 285 and those against numbered 225.

Home Secretary's Speech

Introducing the Bill on 18 January (*Hansard*, Vol 125, No 74, cols 681-760), the Home Secretary, Mr Douglas Hurd, stressed the international dimension of crime, pointing out that drug trafficking, fraud and terrorism were no longer local problems. The Bill responded to this in a number of ways. In particular, it reformed Britain's 'antiquated laws on extradition'. The single most significant impediment to extradition from Britain was the requirement that the foreign state should provide in British courts evidence that would amount to a prima facie case for committal for trial, had the case been prosecuted in Britain. Other countries, particularly Britain's European partners, with standards of justice which were not inferior to those of Britain, found the requirements of British extradition laws extremely difficult to meet. The Bill, therefore, contained powers to dispense selectively with the prima facie requirement but with adequate safeguards for the fugitive; it would have to be subject to parliamentary approval; the fugitive would have the statutory right to see the papers on which the extradition request was based; and there would be a statutory right to make representations to the Secretary of State and a guaranteed period of seven days in which to seek judicial review of the Secretary of State's order for surrender.

The impact of the Bill on international crime did not begin and end with extradition, since it also made provisions for reciprocal arrangements to be made for the international enforcement of confiscation orders, thus ensuring that crime would not pay wherever the proceeds were secreted or invested; it also established new procedures for taking and receiving evidence from abroad.

Offensive Weapons

Noting the increased tendency to carry knives in public, Mr Hurd said that the Bill contained a new offence of possessing a bladed or sharply pointed article in a public place without good reason, together with the necessary associated police powers to stop and search (see p 313, 1987). In so doing the Bill sought to deal with the actual mischief rather than seeking to ban the sale of knives which, because of legitimate usage, was impracticable. However, power was being taken to prohibit the manufacture, importation and sale of certain other types of offensive weapons – such as knuckledusters and handclaws – which had no conceivable legitimate use.

Sentencing

Unduly lenient sentences were few and far between, Mr Hurd said, but when a manifestly over-lenient sentence was passed, the damage to public confidence in the system was out of all proportion to the significance of the case. Under the Bill the Attorney-General would be able to refer a lenient sentence to the Court of Appeal for its opinion; if it thought it right to do so, the Court would be able to increase the sentence.

Referring to the Court of Appeal's power to order that a case could be tried again where new evidence came to light, the Home Secretary said that the Bill would allow the Court to order a retrial whenever it thought that it was in the interests of justice to do so. There was a strong case for this wider power to order a fresh trial where, for example, a conviction would otherwise have to be quashed on a pure technicality and the more just course would be for the matter to be tried again.

Victims of Crime

One of the Bill's main aims, continued Mr Hurd, was to improve the circumstances of victims of crime. It therefore contained measures to encourage the courts to use compensation orders in a wider range of cases. It created, for the first time, a statutory right to compensation, under the criminal injuries compensation scheme, for the victims of violent crime.

Protection of Children

The maximum sentence of two years' imprisonment for cruelty to or neglect of children would be increased to ten years under the Bill. In the case of assault on children, more serious charges would normally be brought, but cruelty or neglect could take many forms other than assault and two years' imprisonment was wholly inadequate in the worst cases.

Mr Hurd said that the Bill would make it possible for a young child to give evidence by closed-circuit television in cases of violence or sexual assault; the ability to give evidence outside the courtroom would help to lessen the ordeal for a young child obliged to give evidence in a busy Crown Court, perhaps in the presence of someone who had cruelly assaulted him or her. The Bill also abolished the strict requirement that the unsworn evidence of a child had invariably to be corroborated. 'There is no evidence to suggest that children are inherently less reliable as witnesses than adults.'

Turning to the question of possession of indecent pictures of children, the Home Secretary said that the Government intended to bring forward an amendment in committee to make it an offence to possess such material. Child pornography victimised the children who were exploited by it and it fed the instincts giving rise to sexual abuse. It was already an offence to take, show or distribute indecent photographs and it would be justified to criminalise simple possession in the hope of stamping out this degrading trade.

Young Offenders

Mr Hurd said that the Bill created a single custodial sentence for young offenders, to be known as detention in a young offender institution. This would allow more effective use of the available accommodation and young offenders who had relatively short periods of custody to serve after sentence would continue to experience a brisk and structured regime.

Opposition Views

The official Opposition spokesman on home affairs, Mr Roy Hattersley, said that the provision on over-lenient sentences was wrong in principle in that a man or woman when convicted risked the jeopardy of being sentenced twice and being forced to serve the more severe of the two sentences. It also increased scope for political pressure from newspaper campaigns on sentencing. The Opposition, however, supported the Bill's measures on the carrying of knives, compensation for victims of violent crime and the single custodial sentence for young offenders.

Mr Hattersley criticised the clause removing the defence's right of peremptory challenge to jurors (see p 380, 1986) and opposed the removal of the prima facie evidence requirement before extradition. A man or woman who was to be tried in a court outside Britain had the right to the same protection and procedures as anyone tried in Britain.

Speaking for the Liberal Party, Mr Alex Carlile said that the current practice relating to peremptory challenge was the best solution, a view based on everyday experience in Crown Courts all over the country. He also opposed the removal of the prima facie rule in cases of extradition. Mr Carlile welcomed other parts of the Bill including the clauses dealing with compensation, knives and child cruelty. On the issue of sentencing young offenders, he said that there should be provision for suspended youth custody sentences.

Government Reply

Winding up the debate for the Government, the Minister of State at the Home Office, Mr John Patten, said that over-lenient sentences were a matter of great public concern. It was misleading to state that the defendant would be in double jeopardy since he or she would receive only one sentence which would be the correct one as handed down by the Court of Appeal.

Mr Patten said that the three peremptory challenges permitted to the defence were no longer needed because the defendant was adequately protected without them. In modern circumstances it was objectionable for the defence to be able to influence the composition of a randomly selected jury even though it could show no good reason against the selection of a particular juror.

Commenting on the proposed reform of extradition law, Mr Patten said that the prima facie requirement in extradition worked against Britain, not for it. The reciprocity principle meant that Britain often had to establish a prima facie case in civil law jurisdictions which were unfamiliar with the concept and this could result in failures to extradite criminals to Britain.

Shorter Notes

TELEVISING HOUSE OF COMMONS PROCEEDINGS

The House of Commons has voted in favour of televising its proceedings for an experimental period and of appointing a select committee to consider implementation and to make recommendations.

After a debate on 9 February, a private member's motion in favour of televising proceedings was carried by 318 votes to 264, a majority of 54. The Lord President of the Council and Leader of the House of Commons, Mr John Wakeham, informed the House that were it to vote in favour of televising proceedings, he would bring forward at the earliest convenient opportunity a motion to establish a select committee to consider implementation. He thought the House would wish to consider and debate the committee's report before proceeding to the experiment itself, and in view of the time needed to install equipment he hoped the debate could be arranged before the summer recess.

Referring to discussions he had had with the broadcasting authorities, Mr Wakeham said that the experiment would be likely to run for six months, starting from the state opening of Parliament at the beginning of the next session. The British Broadcasting Corporation (BBC) and the Independent Broadcasting Authority (IBA) would plan to use selected extracts for a daily programme on parliamentary proceedings and a weekly programme which might include edited coverage of committees, and to use some material in the regular news and current affairs programmes. There would also be live coverage from time to time of what the broadcasters considered to be the most important parliamentary occasions, such as the Budget. In addition a service would be provided to the regional

television stations to enable them to concentrate on the activities of local MPs and local issues. The broadcasters would wish to retain editorial control over the use in their own programmes of television pictures of the House. Both the BBC and the IBA had expressed a willingness to mount the experiment jointly and share the 'feed' (that is, the signal) coming from the Chamber of the House. The broadcasters would pay for the staff and equipment for the experiment.

The House of Commons has considered the question of televising its proceedings on several occasions in recent years. In 1966, 1975, 1978 and 1985 the motion in favour of televising proceedings was rejected and in 1980 the vote was tied. The proceedings of the House of Lords have been televised since 1985 (see pp 431, 1984 and 176, 1986).

Source: *Hansard*, Vol 127, No 90, cols 194-288.

CONTROL OF FIREARMS

A Bill designed to tighten controls over firearms received its second reading in the House of Commons on 21 January. It amends the 1968 Firearms Act and gives effect to the proposals announced in a White Paper published in December 1987 (see pp 4-6).

Introducing the Bill, the Home Secretary, Mr Douglas Hurd, said that recent tragic events had intensified the loss of public confidence in the present system of control. There was, therefore, a need for a reformed Act in which both the public and the legitimate sportsman, gamekeeper or farmer could have confidence. The Government did not pretend that the Bill offered any absolute guarantee against criminal abuse or negligent misuse of guns, but it would reduce the risk to the individual citizen and the community at large. Although the overriding obligation to the community was the protection of citizens, the rights of the legitimate shooter had not been ignored and the Government had sought wherever possible to accommodate the needs and interests of the many responsible shooters from all walks of life.

The official Opposition spokesman on home affairs, Mr Roy Hattersley, said that, while he believed there was scope for improving the Bill, there was a need for the tighter controls over firearms which it provided. The Bill, therefore, deserved a second reading.

Source: *Hansard*, Vol 125, No 77, cols 1109-90.

EXTERNAL AFFAIRS AND DEFENCE

Hong Kong

The British Government's commitment to ensure the smooth implementation of the Sino-British agreement on Hong Kong and to the preservation of the territory's economic progress and way of life have been reaffirmed in an annual report on Hong Kong and in a ministerial speech made in Parliament in January 1988. A White Paper on local government reforms was published by the Hong Kong Government in February 1988.

In December 1984 Britain and the People's Republic of China signed a Joint Declaration which provides for Hong Kong to maintain its economic system and its way of life for 50 years after it returns to China as a Special Administrative Region in 1997 (see pp 368-74, 1984 and 16-17, 1985). The agreement also includes three annexes, one of which is an elaboration by the Chinese Government of its basic policies (the Basic Law) regarding Hong Kong after 1997; another relates to the establishment of a Sino-British Joint Liaison Group to assist in the implementation of the Joint Declaration and discuss, for example, Hong Kong's participation in international organisations, its external economic relations, and travel documentation for residents. The third annex concerns the question of land leases. During the debates in Parliament on the agreement in 1985, the British Government agreed to publish annual reports on developments in the territory in the period leading up to the transfer of sovereignty in 1997.

Foreign and Commonwealth Secretary's Speech

During a debate in the House of Commons on 20 January (*Hansard*, Vol 125, No 76, cols 971-1017) on the annual report on developments in Hong Kong in 1987 (see pp 37-40, 1986), the Foreign and Commonwealth Secretary, Sir Geoffrey Howe, said that the debate was both 'a product and a symbol of Parliament's commitment to Hong Kong'. The Government and Parliament alike were equally determined to fulfil their responsibility to Hong Kong and Parliament had already debated the subject on a number of occasions since it had endorsed overwhelmingly the signature of the Joint Declaration on Hong Kong's future (see pp 437-9, 1984). Britain and the People's Republic of China, Sir Geoffrey continued, were creating conditions in Hong Kong for the transfer of responsibility for an entire community, while preserving its present systems, human rights and lifestyle.

Implementation of the Joint Declaration

Emphasising that the close and cordial relationship between Britain and the People's Republic was vitally important to the people of Hong Kong, the Foreign and Commonwealth Secretary pointed out that the success of the Hong Kong enterprise was critical to it. The British and Chinese Governments had developed a pattern of close and pragmatic co-operation over the implementation of the Joint Declaration and had recognised 'the need for the utmost sensitivity to the circumstances of Hong Kong and the concerns of its people', notably their need for reassurance over the high degree of continuity in the territory's institutions and systems of government across the change of sovereignty in 1997. The watchwords for the future, he said, were still prosperity and stability, with stability requiring institutional continuity.

Solid progress was made during 1987 in implementing the Joint Declaration, the Foreign and Commonwealth Secretary said, including a series of agreements on Hong Kong's separate participation in international organisations, the protection of its commercial interests before and after 1997, and further steps in securing continuity over travel and identity documentation. Good progress was also made in the discussions on defence and public order, while valuable work was also done on the drafting of the Basic Law which was to enshrine for post-1997 Hong Kong the constitutional provisions set out in the Joint Declaration. The drafting of that Basic Law was a matter for the Chinese Government, Sir Geoffrey said, but Britain welcomed the fact that almost half of the members of the Basic Law drafting committee were from Hong Kong. Without Britain's present constructive relationship with China, such progress in the implementation of the Joint Declaration could not have been made.

Britain and China

Commenting on certain misconceptions, the Foreign and Commonwealth Secretary said that one myth was that Britain sought good relations with China at the expense of the interests of Hong Kong, but nothing could be further from the truth. Britain had upheld and would continue to uphold Hong Kong's interests to the full, 'not only because that is right, but because it would be an illusion to suppose that we could create good relations with China at the expense of the interests of Hong Kong'. The central fallacy was to suggest that there was a choice between the interests of Hong Kong and good relations between Britain and China: 'One cannot have one without the other,' he said. 'The single

question that needs asking... is how to secure the firmest possible foundation for the future stability and prosperity of Hong Kong. It certainly cannot be founded on confrontation between Britain and China.'

Consultation

Britain attached the highest importance to the process of consulting Hong Kong, Sir Geoffrey went on. There were close and intensive contacts between the British and Hong Kong Governments on all matters related to the implementation of the Joint Declaration, while officials of the Hong Kong Government were also playing a full part in the work of the Joint Liaison Group. On the question of consultation with the Hong Kong people, a second review of developments in representative government in 1987 (see p 45) was nearing its end following an earlier review in 1984. The first review had resulted in important measures of reorganisation, including the introduction of 24 indirectly elected members into the Legislative Council. Sir Geoffrey pointed out that the 1987 review had been scrupulously objective and impartial, with a wide range of options being put forward for public debate and the people of Hong Kong being encouraged to express their views. The British and Hong Kong Governments wanted to see the development towards more representative government continue, although not wishing to impose any particular form or model. Hong Kong was unique in many ways and would need to develop its own system of government suited to its own requirements. 'Such a system', he said, 'should respect the wishes of the community as a whole and reflect Hong Kong's special circumstances and conditions, in the future as in the past.' The two governments had to acknowledge the range of views expressed by the community, the relevant provisions of the Joint Declaration and the work in hand to draft the Basic Law for post-1997 Hong Kong. They also had to ensure that any measures taken were consistent with the maintenance of stability. Above all, Sir Geoffrey emphasised, the two governments were building not merely a temporary structure but something which could and would carry Hong Kong forward into the twenty-first century; their work had to be set in the context of the establishment with China of arrangements for the future, and alongside the drafting of the Basic Law.

Direct Elections

The main focus of public debate had been the question whether a directly elected element ought to be introduced into the Legislative Council and, if so, when, Sir Geoffrey continued. According to an independent Survey Office report, the bulk of the views expressed favoured the principle of its introduction, with a strong trend of public opinion supporting the taking of that step well before 1997. Opinion was sharply divided over the timing, however, with some people favouring the introduction of direct elections this year when elections to the Legislative Council were to be held, while others wanted them to be introduced at the next round of Legislative Council elections in 1991. However, the survey report, which encompassed representations, discussions and debates of many kinds in all the representative bodies, was only one of the factors that had to be taken into account: 'The most deftly argued views are not always the most important and the most strident are not always the most representative, nor the most likely to achieve the desired result.' Sir Geoffrey said that Hong Kong welcomed the fact that in the preliminary draft of the Basic Law all the options for the composition of the legislature provided for a directly elected element. The views expressed by Hong Kong people would help 'to establish the parameters within which we should plan to move ahead on a steady and prudent course acceptable to the community as a whole. Certainly we have noted the general feeling in Hong Kong that the White Paper should contain a clear statement on when it is intended that direct elections should be introduced.'

Vietnamese Refugees

On the question of Vietnamese refugees, Sir Geoffrey said that Britain was doing all it possibly could to relieve Hong Kong of this burden. Britain itself had accepted a further quota for resettlement in this country (to a total now of 13,000 people), and was urging other countries to follow suit. The Government was also discussing with all those concerned how those Vietnamese not qualifying as refugees could be returned to Vietnam with suitable assurances about their treatment.

Annual Report

The report[1] contained a general survey of the main events in Hong Kong in 1987, including further progress in the implementation of the Sino-British Joint Declaration, developments in representative government, the performance of the economy, social and development programmes being undertaken by the Hong Kong Government, and the question of Vietnamese refugees.

Implementation of the Joint Declaration

In meetings of the Joint Liaison Group, significant progress was made when agreement was reached on practical arrangements to ensure that Hong Kong's transition from British dependent territory to Special Administrative Region of the People's Republic of China would be a smooth one in full accordance with the Joint Declaration. The Group also agreed that Hong Kong would become a separate member of the Customs Co-operation Council from June 1987 and that it would continue to participate in other international organisations after 1997, such as the International Labour Organisation and the Food and Agriculture Organisation. Other agreements made in 1987 included one that would allow identity documents issued to Hong Kong residents for the purpose of overseas travel before 1 July 1997 (with the normal seven-year validity period) to be used from that date until their expiry. Good progress was also made in discussions regarding the expansion of the Hong Kong police force to maintain public order before and after 1997, the reorganisation of the territory's existing Auxiliary Air Force to form a civil government flying service, and the withdrawal of the British garrison.

[1] *Annual Report on Hong Kong 1987*. Cm 293. HMSO, £2·60. ISBN 0 10 102932 2.

In 1987 agreement was also reached in the Land Commission over leases in the New Territories,[1] while passports covering the new status of British National (Overseas) began to be issued from July 1987. The response to an extensive diplomatic exercise to explain the new status[2] was encouraging, and the British Government was confident that those using the new passport would find it as convenient as the old one. Although the initial uptake of BN(O) passports had been slow, the report said, a significant number were now in use and their holders had encountered no practical problems. The British Government would make every effort to ensure that BN(O) passport holders enjoyed the same privileges as Hong Kong BDTC passport holders.

The Basic Law Drafting Committee, as well as separate special groups of the Drafting Committee, met at various times in 1987; a first draft of the Basic Law was to be published in 1988, to be followed by an extensive period of public consultation in Hong Kong before the promulgation of the Basic Law by the National People's Congress, currently expected to be in 1990. The drafting of the Basic Law was a matter for the Chinese Government, but Britain took the closest interest in this process; it welcomed the fact that the people of Hong Kong were able to participate in this important task.

Government Reforms

In May 1987 the Hong Kong Government published a Green Paper covering a range of options for the further development of representative government for public consultation and comment. During the four months of consultations over 130,000 submissions were made to the Survey Office, established to collect the views of the public, as well as nearly 170 public opinion surveys and over 20 signature campaigns. The focus of the debate in the public forum and in the Legislative Council was on whether there should be direct elections for a proportion of the membership of the Legislative Council and, if so, whether such elections should be held in 1988 when elections to the Legislative Council fell due.

Economic Performance

The economy grew strongly in 1987, the report said, continuing a recovery which began in early 1986, although there were some signs of a gradual slowing down even before the sharp adjustments made in the world's financial markets in October 1987 (see pp 367-70, 1987). In the first nine months of 1987 domestic exports rose by 26 per cent in real terms compared with the corresponding period in 1986, re-exports by 46 per cent, and imports by 34 per cent. Unemployment was at a record low rate of 1·8 per cent while the high pressure of demand in the economy, coupled with the depreciation of the value of the Hong Kong dollar, had increased inflation in the first ten months of 1987 to 5·2 per cent over the corresponding period in 1986. In 1986 as a whole the average increase was 2·8 per cent. Although a substantially higher surplus in government finance occurred in 1986-87, due to the rapid growth of the Hong Kong economy, and a still higher surplus was to be expected in 1987-88, the report pointed out that these two years had to be seen in conjunction with the three years 1982-83 to 1984-85 when deficits were recorded and calls had to made on the fiscal reserves so that public services could be maintained. The policy of the Hong Kong Government was to limit the growth of public expenditure to the long-term growth rate of the economy and to contain the size of the public sector (currently equivalent to about 15-16 per cent of the gross domestic product), through prudent management of resources and by continued efforts to increase the efficiency of the public service.

Social Services

In 1987 the Hong Kong Government completed its 15-year programme of providing additional public housing for 1·8 million people, mainly through the provision of new towns, the total population in which reached two million in 1987. In 1987-88 the Housing Authority aims to complete almost 43,000 flats, of which 7,500 will be up for sale. Some 38,000 units were produced by the private sector in 1987.

In education the Hong Kong Government continued to give priority to its expansion and improvement and there are plans to complete 80 new secondary and prevocational schools by 1993; in 1987 an eighth technical institute was opened, thereby increasing the number of full-time places for craft and technician courses from under 4,000 in 1982 to over 10,500 in 1987, while the number of part-time course places rose by 50 per cent to over 46,500 in the same period. There were more than 34,000 full-time equivalent places in tertiary education. Other plans included the establishment of a third university, which is expected to accept its first students in 1991; once it has enrolled its full complement of students in the mid-1990s there should be some 36,000 on degree courses in higher education, a doubling of present numbers.

Recent development programmes include the current construction of two more large hospitals to add to the ten already in operation, and other civil engineering and environmental protection projects. These plans involve projects aimed to reclaim land around Hong Kong harbour, which would provide space to facilitate urban renewal and restructuring, and to construct more transport links, both within Hong Kong and to the mainland of China. An investment is also being prepared for more effective sewage disposal, which would cost up to $HK 10,000 million over the next decade.

Another area where considerable improvement had been made in Hong Kong over the years was legislation to provide better standards of safety, health and welfare for the territory's workforce, the report said. The Hong Kong Government's policy was to achieve conditions broadly equivalent to the best prevailing in neighbouring countries which were in similar economic and cultural stages of development. Those under preparation include the establishment of an occupational safety and health council; amendments to the employment ordinance to improve provisions for long service payments to employees; and amendments to the law that would

[1]Under the Joint Declaration, provision is made for the Hong Kong Government to grant new leases extending to 2047.

[2]The new British National (Overseas) status is designed to replace the existing British Dependent Territories Citizens (BDTC) status, held by some 3·3 million Hong Kong residents.

impose general responsibilities on employers and employees in respect of work safety.

Energy

Regarding public concern about the safety standards being maintained in the building and later operation of a nuclear power station in China's Guangdong province 50 km from Hong Kong, the annual report said that the Government was to have in place an appropriate contingency plan to deal with the remote possibility of an incident at the power station resulting in risks to Hong Kong; it has retained the United Kingdom Atomic Energy Authority to provide expert guidance.

Vietnamese Refugees

The annual report pointed out that the situation with regard to Vietnamese refugees in Hong Kong had deteriorated owing to the increase of arrivals during 1986 and 1987. Despite the major effort made by Britain and Hong Kong to secure their resettlement elsewhere, the number of refugees in camps in the territory rose by over 1,500 from just over 8,000 in 1986 to more than 9,500 at the end of 1987. The British and Hong Kong Governments, assisted by the United Nations High Commissioner for Refugees, would continue their efforts to obtain settlement places while also pursuing a long-term solution to deal with the problem at its source in Vietnam.

Conclusion

In conclusion, the report pointed out that confidence in the future of Hong Kong was being maintained, a fact reflected in a growing perception of Hong Kong's role as a gateway to China and as an international manufacturing, commercial and financial centre in its own right. The British Government, it said, remained firmly committed to the territory and to the well-being of its people. It would also continue to fulfil its responsibility for Hong Kong's sound administration, to look after the territory's interests internationally, to work to ensure the smooth implementation of the Joint Declaration, to maintain confidence and to preserve Hong Kong's economic and social stability.

Representative Government White Paper

In the White Paper,[1] the Hong Kong Government said that the special circumstances of Hong Kong – including its status as a non-sovereign territory, its small area with a large, rapidly growing and increasingly educated population, its fast pace of economic and social development, and its position as a major business and financial centre – pointed to the need to evolve gradually from its present, unique system and not to force the pace of reform to an extent that could introduce instability and uncertainty into the administration of the territory. In particular, it was important that the people of Hong Kong 'should have confidence in the system of government during the period leading up to the restoration of Hong Kong to China in 1997, and in continuity after 1997 when Hong Kong will be a Special Administrative Region of the People's Republic of China'. The Hong Kong Government's objectives with regard to the system of representative government were that (1) it should continue to evolve to suit Hong Kong's circumstances; (2) its development should be 'prudent and gradual'; (3) any reforms should have 'the widest possible support so as to command the confidence of the community as a whole'; and (4) the system in place before 1997 'should permit a smooth transition in 1997 and a high degree of continuity thereafter'.

Present System of Government

The White Paper explained that there were three separate but interconnected tiers of government in Hong Kong, at district, regional and central levels. The 19 District Boards were advisory bodies concerned with local matters while the Urban and Regional Councils were statutory, financially autonomous bodies with executive responsibility for providing public health, cultural and recreation services in their regions. At the central level, the Legislative Council enacted laws, debated policy issues and controlled public expenditure.

The District Boards consisted mainly of members directly elected by constituencies with about 25,000 residents for each member, although about a third were appointed by the Governor. About half of the Urban Council was directly elected and the other half appointed. As for the Regional Council, one-third (12 members) were elected, nine were indirectly elected (one from each District Board in the region), 12 were appointed by the Governor and three were *ex officio*.

Until 1985 the Legislative Council was composed of appointed members, including a substantial number of government officials. In that year the number of official and appointed members was reduced to 10 and 22 respectively, and 24 elected members were introduced for the first time: of these 12 were now elected from 'functional' constituencies based on major professional and occupational groups and 12 by an electoral college comprising all members of the Urban and Regional Councils and District Boards.

Legislative Council Reforms

Referring to the public response to reforms of the Legislative Council, the White Paper said that, although the bulk of the views expressed favoured introducing directly elected members into the Council, with a strong trend of opinion believing that this should be done well before 1997, the community was divided over the timing of this move, with some wanting the change to happen in this year, and others not. The White Paper pointed out that stable government would continue to be crucial in the years leading up to 1997 and beyond, and that this would require an evolutionary rather than a revolutionary development in the territory's system of representative government. The Hong Kong Government had, therefore, concluded that ten directly elected members from single-seat geographical constituencies should be introduced into the Legislative Council, but that this change should occur in 1991, rather than in 1988, in view of the difference of opinion in the community. These ten directly elected members would replace the ten members indirectly elected through the electoral

[1] *The Development of Representative Government: The Way Forward*, 10 February 1988.

college. Two special constituencies for the Urban and Regional Councils were to be retained, with each constituency electing one member to the Legislative Council.

The Legislative Council from 1988, the White Paper said, would continue to have ten official members, but the number of appointed members would be reduced from 22 to 20. The number of members elected by functional constituencies, however, would be raised from 12 to 14. The number of members elected by the electoral college (12) was unchanged.

British Government's Statement

In a statement to the House of Commons on 10 February (*Hansard*, Vol 127, No 91, cols 355-64), Sir Geoffrey Howe said that the decisions set out in the Hong Kong Government's White Paper marked an important step in the direction of the steady development of representative government in Hong Kong. They represented 'a balanced and reasonable response to the views expressed by the people of Hong Kong and their representatives'.

[For further information see COI reference paper *Hong Kong*, No 80/87.]

British Aid to Southern Africa

Britain is to give an extra £10 million in aid to the nine member countries of the Southern African Development Co-ordination Conference (SADCC), bringing its total pledge to £45 million. This was announced by the Minister for Overseas Development, Mr Christopher Patten, when he addressed the seventh annual meeting between the member countries of the SADCC and donor countries at Arusha, Tanzania, on 28 and 29 January.

The SADCC was set up in 1979 to promote regional economic development, communications and trade among its nine member countries.[1] Mr Patten said that British co-operation with the SADCC had a vital role to play in promoting regional stability and ridding South Africa of apartheid (see pp 401-2, 1987). Britain also believed firmly in the value of aid for the black communities in South Africa and planned to spend over £21 million on this over the next five years, largely on training awards for black South Africans: by 1989 there would be nearly 500 training places, mostly in Britain. Britain was also contributing £3 million a year towards a similar programme organised by the European Community. All these projects were managed through non-governmental organisations and involved no contact with the South African authorities.

Like the rest of Africa, SADCC countries stood to gain from important recent international initiatives which had been launched to help relieve their debt burdens. Britain was pressing for the cancellation of aid debts, generous rescheduling of repayments and lower interest rates for countries 'bravely pursuing sound economic policies' (see pp 256-7, 315-16, 1987), and had already written off £245 million of aid debts owed by countries in sub-Saharan Africa. Financial support was also being given to recent debt-related initiatives by international financial institutions. In partnership with the World Bank, Britain had promised £250 million to Africa in balance of payments aid over the next three years to support economic reform in low-income 'debt-distressed' countries.[1] Britain also intended to subsidise the lending of about £750 million (one-sixth of the total interest subsidy) under the International Monetary Fund's new Enhanced Structural Adjustment Facility,[2] was subscribing to new shares in the African Development Bank worth £117 million, and was providing a further £58 million to the African Development Fund.

Between 1980 and 1986, Mr Patten said, Britain had contributed over £1,000 million to the member countries of the SADCC through multilateral and bilateral channels. British direct bilateral assistance since the SADCC's formation totalled over £819 million. In the last 12 months Britain had made substantial new commitments of balance of payments aid for countries carrying out economic reforms agreed with the international institutions. At the same time Britain's long-standing support for the provision of manpower aid and training for rural development was continuing: at present 1,300 students from SADCC countries were training in Britain. As an example of the kind of relatively modest project that made a real contribution to a country's development, Mr Patten noted that he had recently approved a further £2·6 million for the work of the Roads Improvement Unit in Lesotho; and Britain was funding many other projects of this sort throughout the region. The British Government had also decided to contribute, assuming that other countries were prepared to do so, up to 30 per cent of the total sum contributed to the special £10 million Commonwealth Fund for Mozambique (see p 353, 1987), a country which had already received substantial aid from Britain (£35 million in 1987 for emergency and development aid) in recognition of the particularly acute difficulties with which it was faced.

Britain was also contributing to SADCC-sponsored regional co-operation projects which included such areas as research and training, and restoring the normal pattern of transport in the region. Mr Patten expressed particular pleasure that significant progress had been made towards the rehabilitation of a 142-km stretch of the Limpopo railway in Mozambique, a collaborative effort to which Britain had already committed £14 million. Britain would welcome the participation of other countries in a second phase of the project with a view to repairing the whole length of the line: the Government of Canada had already expressed an

[1] Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, Tanzania, Zambia and Zimbabwe.

[1] As part of this programme, Mr Patten announced on 27 January that Britain had offered the Tanzanian Government a new capital grant of £20 million for fast-spending import support, providing British spare parts and supplies for key sectors of Tanzania's economy, notably agriculture and transport.

[2] First established in 1986 to provide balance of payments assistance to low-income developing countries on concessional terms.

interest in this and a technical study was to be carried out later in 1988 to assess the costs and physical requirements.

In addition to civil aid, Britain was providing military training to Mozambique and Zimbabwe so that their forces could defend transport routes. Gifts of non-lethal defence equipment had also been made recently to these two countries, and to Tanzania and Malawi, which were also involved in the task of defence.

Mr Patten announced that Britain would commit £12·4 million to the Northern Transport Corridor project to improve Malawi's communications with Dar es Salaam. Cargo facilities for the Malawi Government at two centres in Tanzania, together with associated works and equipment, would be provided by 1990. He announced too that Britain was to set aside a further £10 million for SADCC activities, bringing its total pledges to over £45 million, and demonstrating the British Government's confidence in the SADCC and its work.

International Development Association

On 3 February the House of Commons approved the Government's proposal to contribute over £524 million to the eighth replenishment of the International Development Association.

Introducing the proposal (*Hansard*, Vol 126, No 87, cols 1118-21) the Minister for Overseas Development, Mr Christopher Patten, said that the contribution would be Britain's second largest single overseas aid commitment after its contribution to the European Development Fund. He explained that the International Development Association (IDA; see p 260, 1987), which had approved credits of $3,500 million in the year to June 1987, was an affiliate of the World Bank, offering concessional or 'soft' loans to countries too poor to take on conventional World Bank loans on quasi-commercial terms. Because of its concessional terms, the IDA was funded mainly by donors' contributions and not, as with the World Bank, by borrowing on the financial markets.

The IDA aimed to promote economic progress in the poorer developing countries by providing financial and technical assistance, mainly for specific projects. Many countries had benefited in this way in the years since the IDA's foundation in 1960, most notably Korea (up to 1973). Most of the poorest countries of Africa and Asia, which were assisted by the IDA, would need substantial and highly concessional aid flows for many years to come, and the Association had a key role to play in their development. Britain's efforts through the IDA and other international development agencies complemented its bilateral aid programmes, which were focused primarily on the poorest, IDA-eligible countries. The Association was also lending increasingly for structural and sectoral adjustment, providing vital foreign exchange and helping to finance essential imports for those countries that were 'making an effort to get their economic house in order'.

For the eighth replenishment, donors had agreed a total of $11,500 million, to which Britain would contribute 6·7 per cent, as in the seventh replenishment. Some donor countries were also making extra voluntary contributions totalling $900 million, which included a pledge of $15 million by Britain. Taking account of repayments of earlier loans, the IDA was expected to sustain a lending programme of more than $13,000 million over the three years of the replenishment.

It had been agreed that at least 45 per cent of eighth replenishment lending should go to Africa, and that an additional 5 per cent would be available if necessary to meet the needs of countries making structural adjustment efforts. Up to $3,500 million would be allotted to fast-spending adjustment aid, but the bulk of the IDA lending would still be for longer-term development projects, and the Government was particularly satisfied that, in addition to Africa, the needs of the developing countries in Asia had been recognised.

Mr Patten said that Britain was glad to support the IDA's central aim of alleviating poverty, and its concentration of resources in key areas, especially agriculture, rural development and energy; and the Government welcomed its action to tackle the problems of the poorest countries. Britain played a vigorous part in attempts to co-ordinate aid from all sources. Concluding, Mr Patten observed that the World Bank and the IDA were the world's leading development institutions, constituting the 'cutting edge' for social and economic change and improvement in developing countries; and they had been supported by successive British governments.

The Government's proposal was supported by the opposition parties.

Shorter Note

WAR CRIMES

The Government has established an independent inquiry to investigate allegations of war crimes committed during the second world war by people serving or collaborating with Nazi Germany and now living in Britain. Announcing the decision in the House of Commons on 8 February the Home Secretary, Mr Douglas Hurd, explained that alleged war crimes in foreign countries would normally be dealt with by means of extradition. However, all the cases in question concerned crimes committed in territories now controlled by the Soviet Union, with which Britain had no extradition treaty. Nor did British courts have jurisdiction to try offences of murder and manslaughter committed abroad when the accused was not a British citizen at the time of the offence. If Britain were to prosecute in these cases, legislation to extend the jurisdiction of the courts would be required.

Mr Hurd also pointed out that the passage of time, though it did not lessen the horror with which one read about wartime atrocities, did complicate the investigation of allegations, and he had asked the Simon Wiesenthal Centre[1] to provide evidence to substantiate them. The Centre had provided a large quantity of documentary material in July 1987 containing serious allegations against a number of people, and after careful consideration the Government had concluded that the existing evidence would not be sufficient to support a criminal prosecution even if there were jurisdiction.

Since it was clear further work needed to be done, Mr Hurd said he had decided to appoint an independent inquiry to examine material relating to the allegations, to conduct interviews (possibly including interviews in the Soviet Union), and consider the likely value to British court proceedings of the evidence that became available. The inquiry would be conducted by Sir Thomas Hetherington, the former Director of Public Prosecutions, and Mr William Chalmers, the former Crown Agent in Scotland. The inquiry team would also advise whether the law should be changed to take jurisdiction over crimes allegedly committed overseas by persons resident in Britain. In the event of such a change it would be for the prosecuting authorities to decide whether any action should be taken in individual cases.

[1]The Simon Wiesenthal Centre in Los Angeles maintains an archive on crimes committed against the Jewish people during the second world war.

Source: *Hansard*, Vol 127, No 89, cols 28-9.

Public Expenditure Plans

An annual rate of increase in real terms in government expenditure of some 1·25 per cent over the next three years is provided for in the public expenditure White Paper, published on 20 January. As this is well below the expected rate of economic growth, government spending should continue to fall as a proportion of national income. Extra resources have been allocated to priority programmes and the Government is seeking improvements in value for money.

The Government's plans for public spending, described in the White Paper,[1] form an integral part of its economic policy and, in particular, the medium-term financial strategy (see p 113, 1980), which aims to reduce inflation and to maintain the conditions for sustained growth, the creation of jobs and rising living standards.

Within that framework, the Government's objective for public spending is to hold its rate of growth below that of the economy as a whole and thereby to reduce public spending as a proportion of national income. The White Paper explains that this will enable a low level of public borrowing to be combined with reductions in the burden of taxation, thus encouraging enterprise and efficiency and therefore the growth of output and employment. General government expenditure as a proportion of gross domestic product (GDP) has been falling since 1982-83; the present plans are designed to ensure that the decline continues.

The Government's concern for bringing about improvements in value for money has led it to carry out an annual review of the cost of departments' programmes and their progress in improving efficiency and effectiveness.

The November 1987 Autumn Statement[2] contained the broad results of the latest public expenditure survey; the White Paper gives more detail. Revised projections of government receipts and borrowing over the medium term will be given on Budget day (15 March).

Measures of Public Spending

Public spending may be defined in a number of ways. General government expenditure – the measure used for formulating macroeconomic policy and the financial strategy – is the spending of central and local government including debt interest; it is a comprehensive measure of the amount to be raised by taxation and borrowing. The public expenditure planning total is the more appropriate measure as far as the planning and control of programmes is concerned, as it is made up of the control totals for the spending programmes of departments and public corporations.

Totals

The estimated outturn for the planning total in 1987-88 is £147,300 million. This is £1,300 million below the figure given in the 1987 White Paper,[1] the main reason for the shortfall being higher than expected capital receipts of local authorities and new towns.

The planning totals for 1988-89 and 1989-90 are £156,800 million and £167,100 million respectively, the corresponding figures in the last White Paper having been £154,200 million and £161,500 million. A total of £176,100 million has been set for 1990-91. The totals for the three years include unallocated reserves of £3,500 million, £7,000 million and £10,500 million respectively, which will be available to meet unforeseen requirements.

Public Spending and National Income

General government expenditure (excluding privatisation proceeds) as a proportion of GDP has fallen from a peak of 46·75 per cent in 1982-83 to 42·5 per cent in 1987-88 and is expected to decline further, to 41·25 per cent in 1990-91 – the lowest level since 1972-73.

Public Spending in Real Terms

In real terms, general government expenditure (excluding privatisation proceeds) is expected to rise at an average rate of 1·25 per cent a year in the four years from 1986-87 to 1990-91. The corresponding figure was almost 3 per cent in the decade up to 1978-79, some 2·25 per cent in the four years from 1978-79 to 1982-83 and about 1·75 per cent in the four years from 1982-83 to 1986-87.

Value for Money

The Government attaches high priority to obtaining improvements in value for money from public

[1] *The Government's Expenditure Plans 1988-89 to 1990-91.* HM Treasury.
Vol I. Cm 288-1. HMSO, £9·80. ISBN 0 10 102882 2.
Vol II. Cm 288-2. HMSO, £22. ISBN 0 10 102883 0.

[2] See article on pp 363-7, 1987, later reproduced as COI reference paper *Britain's Economy: Chancellor's Autumn Statement*, No 253/87.

[1] See article on pp 56-60, 1987, later reproduced as COI reference paper *Britain's Public Expenditure Plans 1987-88 to 1989-90*, No 240/87.

expenditure. This entails eliminating waste and maximising the efficiency of programmes. The increasing use of targets for output and performance reflects an enhanced emphasis on what is being provided rather than just the amount being spent. The methods used include the use of improved budgetary control and the development of better output and performance measures, which form part of the Government's financial management initiative (see p 347, 1983). The aim of all this is to provide a clearer picture of what is being achieved and at what cost, giving managers targets for which they can be held accountable.

These broad reforms continue to be supported by specific initiatives. Examples include efforts to improve value for money in purchasing and supply by government departments, efficiency scrutinies, and contracting out. The Government will continue to encourage a similar approach elsewhere in the public sector.

Privatisation

Proceeds from the Government's privatisation programme reduce both the public expenditure planning total and general government expenditure. The programme seeks to increase efficiency – by introducing competition and other commercial pressures – and to widen share ownership. The expenditure plans include estimated receipts of £5,000 million a year, the same as in the last White Paper. The figures for 1987-88 take account of the receipts from the sale of shares in British Petroleum in October 1987 (see pp 370-1, 1987) but not the costs incurred by the Bank of England in buying back any shares.

Analysis by Department

The Department of Health and Social Security, Ministry of Defence and Department of Education and Science are, once more, by far the largest spenders, accounting for some two-thirds of the departmental total. Spending by departments is planned to rise by 12·5 per cent between 1987-88 and 1990-91. The projected increase is 15·6 per cent for Health and Social Security – with growth of this order applying to health and personal social services and also to social security – before taking account of an additional £88 million announced in December 1987 for 1987-88; 11·6 per cent for Education and Science; and 9·6 per cent for Defence.

Public expenditure is analysed by department in Table 1 and key aspects of spending by some of the larger departments are discussed below.

Table 1

Public Expenditure by Department

£ million

	Estimated outturn 1987-88	Plans 1988-89	1989-90	1990-91
Defence	18,850	19,208	19,950	20,560
Foreign and Commonwealth Office	2,044	2,157	2,250	2,310
European Community	1,400	800	1,470	1,320
Agriculture, Fisheries and Food	2,060	2,212	2,330	2,500
Trade and Industry	1,061	1,369	1,330	1,250
Energy	269	120	−190	−420
Employment	3,967	4,242	4,300	4,360
Transport	4,721	5,147	5,120	5,210
Environment – housing	2,450	3,020	3,000	3,040
Environment – other environmental services	3,996	3,813	4,000	4,100
Home Office and legal departments	6,653	7,025	7,340	7,580
Education and Science	17,169	17,971	18,640	19,170
Arts and Libraries	885	913	950	980
Health and Social Security – health and personal social services	19,565	20,683	21,680	22,660
Health and Social Security – social security	46,401	48,460	51,100	53,600
Scotland	8,212	8,506	8,610	8,780
Wales	3,309	3,451	3,550	3,660
Northern Ireland	4,910	5,144	5,320	5,510
Chancellor's departments	2,309	2,461	2,600	2,690
Other departments	1,472	1,607	1,670	1,740
Reserve		3,500	7,000	10,500
Privatisation proceeds	−5,000	−5,000	−5,000	−5,000
Adjustments	600			
Planning total	147,300	156,806	167,100	176,100
General government gross debt interest	17,800	18,000	18,000	18,000
Other adjustments	7,500	8,000	8,000	8,000
General government expenditure	172,600	183,000	193,200	202,100

Health and Social Security

The aim of the National Health Service (NHS) is to help people to remain healthy and to give them effective treatment and care when necessary. More patients are being treated than ever before. The NHS has continued to give priority to areas of specific need: an additional £50 million is being made available in 1988-89 for tackling AIDS.[1] A White Paper published in November 1987 (see pp 424-5, 1987) set out the Government's proposals for raising standards further and obtaining improved value for money.

The objective of the social security programme is, within the Government's wider social and economic policies, to provide an efficient and responsive system of financial help for retirement pensioners and others in need. The projected increase in expenditure between 1988-89 and 1990-91 reflects the rise in the number of benefit recipients among pensioners, the long-term sick and disabled and single-parent families. About half the budget goes to the elderly, around one-sixth to the sick and a similar proportion to the disabled, and a little less than one-sixth to the unemployed. A new system of income-related benefits is to be introduced in April 1988 (see p 423, 1987); this is expected to lead to a slight increase in expenditure.

Defence

The aims of the defence programme are to ensure the security of the nation and to maintain its freedom, in particular by keeping up an effective contribution to the North Atlantic Treaty Organisation.[2] A variety of measures is in hand to improve efficiency and value for money, especially through increased competition in equipment procurement and contracting out of support services to the private sector. Improvements in the use of service manpower have also been made. The expansion of the reserve forces has continued and further steps have been taken to transfer regular personnel from support tasks to front-line duties.

Education and Science

The broad aims for the education service are to raise standards at all levels of ability and to obtain the best possible return from resources invested. For schools, extra provision has been made for the costs of introducing the national curriculum[3] and for improving buildings. Expenditure per pupil has risen by some 30 per cent in real terms since the start of the decade. Additional provision is also being made for universities and for science. The number of first degrees awarded in a year is expected to be around 135,000 by 1990 – more than 25 per cent higher than a decade earlier. The objective for science is to maintain and enhance the strength and quality of the science base.

Employment

The main objectives for the employment programme are to promote enterprise and the creation of jobs, to help unemployed people to obtain work, to improve the efficiency of the labour market, to promote training and to improve industrial relations and health and safety at work. The new totals embody increases in some parts of the programme which are broadly matched by reductions elsewhere. Areas of increased provision include adult training, resulting from measures announced in January 1987 (see pp 61-2, 1987), and youth training.

Environment – Housing

In housing, the aim is to enhance choice by encouraging the spread of home ownership for those who want it and to widen the variety of rented accommodation. The Government's priorities were set out in a White Paper published in 1987 (see pp 331-3, 1987).[1]

Environment – Other Environmental Services

Expenditure on other environmental services is on a wide range of environmental, economic and recreational services. Part of it is undertaken by local authorities according to local priorities and some by nationalised industries and public corporations. The plans include a substantial increase in expenditure on inner cities.

Home Office

The criminal justice system exists to prevent and detect crime, administer the courts effectively, deal adequately and sensibly with the guilty and give proper effect to sentences imposed. The number of notifiable offences cleared up by the police rose by 16 per cent between 1980 and 1986.

Transport

The aim of the transport programme is to increase efficiency and reduce unit costs, protect and improve safety, conserve the environment and advance British transport interests abroad. Spending is concentrated on infrastructure projects.

Analysis by Spending Authority

Central Government

About 70 per cent of central government spending (see Table 2) is voted by Parliament through the annual Supply Estimates. The remainder consists mainly of those social security payments made out of the National Insurance Fund. Social security, health and defence together account for over 70 per cent of the total. For other large programmes, such as those of the Department of Education and Science, Transport and the Home Office, a large proportion of expenditure is carried out by local authorities, leaving a relatively small proportion for central government. Compared with the figures in the last White Paper, substantial increases in planned central government spending have been made for social security, health, industrial assistance, defence, education and the prison programme.

[1]For more information, see COI reference paper *AIDS Control in Britain*, No 290/87.

[2]For more information, see COI reference paper *Britain's Defence Services*, No 231/87.

[3]See article on pp 426-8, 1987, later reproduced as COI reference paper *Education Reforms in Britain*, No 301/88.

[1]See articles on pp 331-3 and 428-32, 1987, later reproduced as COI reference paper *Housing Policy in Britain*, No 86/88.

Table 2
Public Expenditure by Spending Authority

£ million

	Estimated outturn 1987-88	Plans 1988-89	1989-90	1990-91
Central government	109,720	114,225	120,200	124,700
Voted in Estimates	77,173	81,021	84,600	87,600
Other	32,547	33,204	35,600	37,100
Local authorities	40,926	42,642	44,000	45,200
Current	37,178	38,651	40,000	41,300
Capital	3,749	3,991	3,950	3,920
Nationalised industries	455	687	−30	−390
Other public corporations	604	752	950	1,020
Reserve		3,500	7,000	10,500
Privatisation proceeds	−5,000	−5,000	−5,000	−5,000
Adjustments	600			
Planning total	147,300	156,806	167,100	176,100

Table 3
Public Expenditure by Function

Percentage shares

	1978-79	1986-87	1990-91
Employment and training	1·6	2·6	2·4
Health	11·9	13·1	14·1
Law and order	3·7	4·8	5·3
Defence	11·4	12·6	12·1
Agriculture, fisheries and food	1·6	1·6	1·7
Transport	4·9	4·0	3·7
Industry, trade and energy	5·1	2·4	1·0
Housing	8·0	4·1	3·8
Education and science	14·4	13·3	13·7
Social security	25·8	31·9	32·4
Other	11·6	9·6	9·9
Total	100·0	100·0	100·0

Note: Differences between totals and the sums of their component parts are due to rounding.

Local Authorities

Nearly half of local authority spending is on education; most of the rest is devoted to law, order and protective services, housing and other environmental services, personal social services, transport and the administration of housing benefit. Most local authority current expenditure consists of current spending relevant for Aggregate Exchequer Grant. This includes expenditure on a wide range of services over which local authorities have considerable discretion. Current spending over which local authorities have less discretion is mainly on rent rebates and allowances and mandatory student awards. Exchequer Grant does not count directly as public expenditure as it is merely a transfer between central and local government. The Government continues to encourage local authorities to improve efficiency and value for money. Legislation has recently been introduced to expose a widened range of local authority services to competition.

Gross capital spending of local authorities in 1987-88 is expected to be £7,100 million (£3,700 million net of receipts), falling to £7,000 million in 1988-89 and £6,900 million in each of the years 1989-90 and 1990-91 (£3,900 million net in each of the years 1988-89 to 1990-91).

Public Corporations

The planning total includes nationalised industries' finance from sources other than trading revenue. This includes their borrowing and leasing from all sources as well as government grants. Their external finance is controlled on an annual basis by means of external financing limits (EFLs).

EFLs for 1988-89 amount to £687 million – £340 million above the figure given in the last White Paper. The main additions are to the EFLs for the electricity industries, reflecting plans for substantially increased investment in new capacity. Investment by nationalised industries is expected to rise from some £4,500 million in 1987-88 to around £6,000 million in 1990-91. In spite of the substantial level of planned investment, EFLs are expected to decline in 1989-90 and 1990-91. This is in keeping with the Government's aims of minimising the burden of these industries on taxpayers and strength-

ening their ability to earn adequate rates of return. The Government will continue to require improvements in their profitability and further progress in reducing costs and increasing productivity by setting demanding financial targets and performance aims.

Analysis by Function

An analysis of public expenditure (excluding the reserve and privatisation proceeds) by function (in percentage terms) is given in Table 3. Unlike the analysis by department, this assigns spending of the Scottish, Welsh and Northern Ireland offices and the Northern Ireland departments to the same functional groups as in England. The table shows the changes in spending priorities already carried out and those planned for the next three years.

The share of health rose from 11·9 per cent of the total in 1978-79 to 13·1 per cent in 1986-87; a further increase, to 14·1 per cent, is planned by 1990-91.

The allocation for law and order, having risen from 3·7 per cent to 4·8 per cent between 1978-79 and 1986-87, is planned to reach 5·3 per cent by 1990-91.

The share of social security, having been just over one-quarter in 1978-79, is planned to reach nearly one-third by 1990-91.

The allocation for education and science fell from 14·4 per cent in 1978-79 to 13·3 per cent in 1986-87, reflecting declining school rolls. However, a slight rise, to 13·7 per cent, is planned by 1990-91.

The share of defence rose from 11·4 per cent in 1978-79 to 12·6 per cent in 1986-87. A small fall is envisaged by 1990-91 as the benefits of past increases continue to be felt and the programme of improvements in efficiency expands.

Other areas in which the share of expenditure has fallen and is planned to decline further are industry, trade and energy, where industrial support is being reduced as profitability improves, and housing, where the private sector already accounts for the greater share and where government policy is to enhance further the opportunities for private sector investment.

Analysis by Economic Category

By economic category, planned expenditure in 1988-89 (again excluding the reserve and privatisation proceeds) is made up as follows: transfers to the personal sector (mainly pensions and other social security benefits) – 36 per cent; other public sector pay (mainly in local authorities, the armed forces and the NHS) – 28 per cent; purchases of assets, goods and services from the private sector – 23 per cent; departmental running costs (including pay) – 7 per cent; transfers to the corporate sector – 4 per cent; and payments overseas – 2 per cent.

Capital Spending

Capital spending by the public sector is expected to rise from around £23,000 million in 1987-88 to nearly £25,000 million in 1990-91. Compared with the figures in the last White Paper, spending has been increased by £1,500 million for 1988-89 and £1,700 million for 1989-90.

Science and Technology

For the first time, the White Paper includes a summary of spending on science and technology. An allocation of over £5,000 million for each year over the period 1988-89 to 1990-91 has been made. The provision for each of the first two years is some £200 million above the figure in the last White Paper.

Pay

As in previous years, no general assumption has been made about the future rates of increase in pay and allowances. The Government wishes to see increased flexibility in, for example, linking pay to performance and strengthening the link between pay and local labour markets. If, in total, pay increases are unrealistically high there will be a reduction in the sum available for improving services and for expanding investment and employment.

Departmental Running Costs

The 1988-89 provision for departmental running costs is some £14,000 million – 5·7 per cent higher than the estimated outturn in 1987-88. Defence accounts for 39 per cent and Health and Social Security for 13 per cent. Manpower targets are not being set for periods beyond 1 April 1988; instead, the emphasis in the control and planning of departments' use of resources will be on their cash provision for running costs, although the Government will continue to take a close interest in Civil Service numbers.

Public Sector Manpower

Between 1978-79 and 1986-87 the fall in the number of public sector employees was over 14 per cent – an annual average decline of 1·8 per cent. This reflects government policy to ensure, wherever possible, that functions remain in the public sector only in cases where they are carried out most effectively there and that, within the public sector, manpower should be used with maximum efficiency. Over the same period Civil Service manpower declined by 19 per cent. Privatisation has brought about a considerable reduction in the number of employees in public corporations. Manpower in the armed forces, after rising in the early 1980s, has been falling since 1985. Local government manpower fell between 1978-79 and 1982-83, remained broadly constant up to 1985-86 but has been increasing since 1986-87. The number of NHS employees in 1986-87 was 6 per cent higher than in 1978-79.

Government and Industry: the Enterprise Strategy

The Department of Trade and Industry has comprehensively reviewed its policies towards industry and commerce and has set out a new framework for its activities, its fundamental roles being to facilitate the creation of open markets, both domestically and internationally, and to help create an enterprise culture in Britain.

The changes in policy and in the organisation of the Department of Trade and Industry (DTI) are set out in a White Paper,[1] which was introduced in Parliament on 12 January (*Hansard*, Vol 125, No 70, cols 145-68 and *Hansard* [HL], Vol 491, No 56, cols 1075-88).

Minister's Statement

Speaking on its introduction in the House of Lords, the Secretary of State for Trade and Industry, Lord Young of Graffham, said that the review had been built on the new objectives for the DTI set out a few months earlier (see p 380, 1987). The underlying philosophy was that real change, to give Britain a lasting basis for prosperity in the face of increasing international competition, required individuals to alter the way in which they managed their businesses and approached their work. The best way to accomplish that was to influence people's attitudes, to help them acquire the skills and information which they needed to compete effectively, and to give them the scope and opportunity, in open markets, to compete.

The DTI would help young people to learn about business and enterprise; it would improve management education and development and spread awareness of best practices in new technologies; and it would help small and medium-sized firms to improve their performance. The last aim would be achieved through a major new initiative – the business development initiative – to encourage firms with fewer than 500 employees to take expert consultancy advice in a range of key management functions. Grants would be available to pay for consultancy fees; more than £50 million would be available from the DTI for this in 1988-89 and some £250 million in total in the three years to 1991.

The DTI would make it a priority to help business prepare for and benefit from the opportunity represented by the creation of the single European market in 1992 (see pp 8-9). The need to open up competitive markets was another essential strand of DTI policy; the Government was considering legislation to control damaging cartels, and was proposing two changes in merger policy to make government action more flexible.

The Government was particularly concerned to encourage enterprise in the less prosperous areas of the country and in the inner cities. The new consultancy initiatives would be available at higher rates of grant in the assisted areas (see map) and in urban programme areas (see pp 240-2, 1986), and new incentives would be introduced to encourage the growth and development of small firms in development areas (see map). Regional selective assistance would remain available in the assisted areas, but legislation would be brought forward to phase out regional development grant. The latter, unlike selective assistance where firms had to demonstrate a genuine need for public funding, was payable automatically; the Government had concluded that the selective assistance approach would do more to strengthen regional economies than automatic subsidy.

The DTI had also reviewed its policy on civil research and development. In future it would concentrate on helping collaborative research projects and assisting the transfer of technology which would otherwise not take place. Research and development which was at the commercial stage of exploitation should be the responsibility of the private sector; the DTI's general schemes of single company support for innovation were therefore being ended.

The department would continue its efforts to cut red tape (see pp 208-9, 1987).

The proposed policy changes would result in an overall increase in spending by the DTI over the provision previously planned; support for regional programmes, collaborative research, technology transfer and small business innovation would all increase.

There would also be reorganisation within the DTI so as to deliver its services more effectively – through clear marketing and an expanded regional network – and the industry divisions of the department would be replaced by market divisions.

The White Paper policies represented, Lord Young concluded, a consistent and co-ordinated strategy for enterprise.

THE WHITE PAPER

The Role of the DTI

The White Paper says that enterprise is fundamental to a dynamic and growing economy and lack of it has played a major part in the relative decline of the British economy in the present century. In 1979, however, two primary economic aims were set: the control of inflation and the encouragement of enterprise. Since 1981 the economy has been transformed and is performing well in terms of output growth (second only to Japan) and productivity growth (first among major economies), while Britain's share of world trade in manufactures has stabilised after many years of decline.

There is still much to achieve, though, and the role of the DTI is to further encourage the enterprise culture and the efficiency and competitiveness of industry and commerce.

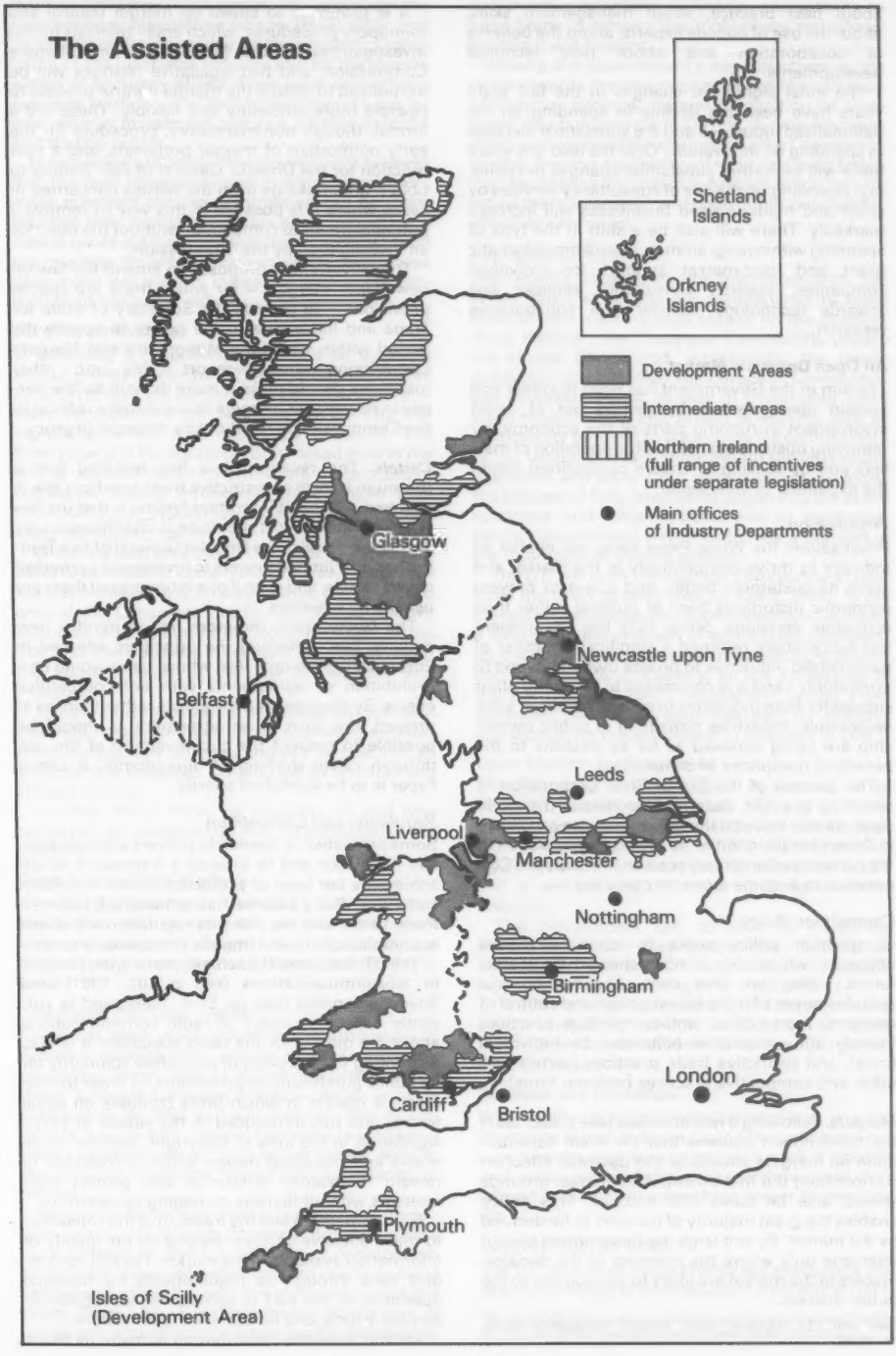
'The keynote of future DTI policies is enterprise; its two foundations are open markets and individuals.' Open markets, the White Paper says, are the best guarantee of incentive and efficiency; but they are not to be confused with unfettered market forces. The DTI will strive to promote open markets through the exercise of its competition policy, and through privatisation, deregulation and international trade negotiations. To encourage individuals to participate actively in the challenge of creating prosperity the DTI will seek to bring business into education and expose more young people to the excitement of working in business. It will also seek to raise the skills of individuals; the encouragement of self-help will be an important part of the department's new initiatives.

DTI Spending

The underlying theme of DTI spending is to improve the functioning of markets and to avoid taking decisions which should be taken by the private sector.

The need to transfer information underpins many DTI policies and spending – particularly information

[1] *DTI – the department for Enterprise*. Cm 278. HMSO, £5. ISBN 0 10 102782 6.


The Assisted Areas
Shetland Islands
Orkney Islands
Development Areas
Intermediate Areas
Northern Ireland
(full range of incentives under separate legislation)
Main offices of Industry Departments
Glasgow
Belfast
Newcastle upon Tyne
Leeds
Liverpool
Manchester
Nottingham
Birmingham
London
Cardiff
Bristol
Plymouth
Isles of Scilly
(Development Area)

about best practice, about management skills, about the use of outside experts, about the benefits of collaboration and about new technical developments.

The most significant changes in the last eight years have been the decline in spending on the nationalised industries and the substantial increase in spending on innovation. 'Over the next few years there will be further substantial changes in spending. Spending on the use of consultancy services by small and medium-sized businesses will increase markedly. There will also be a shift in the type of spending within programmes, away from automatic grant and near-market support for individual companies, towards consultancy services and towards technology transfer and collaborative research.'

An Open Domestic Market

The aim of the Government has been to create and sustain open markets by getting out of direct involvement in running parts of the economy, by removing obstacles to the flexible operation of markets and by seeking to ensure competition within the expanded private sector.

Privatisation

Privatisation, the White Paper says, can enable an industry to thrive competitively in the market and serve its customers better, and can also prevent economic distortions born of political rather than economic decisions. Since 1979 the Government has successfully returned a significant number of nationalised industries to private ownership and to profitability,[1] and it is committed to returning other successful state industries to private hands as soon as possible. Industries remaining in public ownership are being exposed as far as possible to the beneficial disciplines of competition.

The success of the British Steel Corporation in returning to profit, despite difficulties in the world steel market, induced the Government to announce in December its intention to introduce legislation in the current parliamentary session to enable the Corporation to become a private company.

Competition Policy

Competition policy seeks to promote market efficiency where this is not achieved by market forces acting on their own. Competition law includes powers for the investigation and control of mergers, monopolies, anti-competitive practices (mainly anti-competitive behaviour by individual firms), and restrictive trade practices (cartels and other anti-competitive practices between firms).

Mergers. Following a recent review (see p 382, 1987) the Government believes that the main consideration on mergers should be the potential effect on competition; but that other public interest grounds should also be taken into account. This policy enables the great majority of mergers to be decided by the market. By and large the Government should intervene only where the interests of the decision makers in the market are likely to run counter to the public interest.

It is proposed to speed up merger control and monopoly procedures, which entail referrals to and investigations by the Monopolies and Mergers Commission, and two legislative changes will be introduced to enable the merger control process to operate more efficiently and flexibly. These are a formal, though non-mandatory, procedure for the early notification of merger proposals, and a new function for the Director General of Fair Trading to obtain undertakings from the parties concerned in cases where it is possible in this way to remove a potential threat to competition without the need for an investigation by the Commission.

The Government proposes to amend the law on newspaper mergers – for which there are special provisions – to provide the Secretary of State for Trade and Industry with the power to specify the period within which the Monopolies and Mergers Commission should report. This and other measures should make it more difficult for the parties to newspaper mergers to argue that a referral to the Commission is ruled out by financial urgency.

Cartels. The recent review has revealed that a thorough reform of restrictive trade practices law is required. The most important finding is that the law is less effective than it should be in tackling seriously damaging cartels. The Director General of Fair Trading has only limited powers to investigate suspected covert cartels, and even if one is uncovered there are usually no penalties.

The Government therefore has in mind a new national law, reflecting the principles adopted in European Community law, whose basis would be a prohibition of agreements with anti-competitive effects. By emphasising the effects rather than, as at present, the form of an agreement, it should be possible to prevent the circumvention of the law through clever drafting of agreements. A Green Paper is to be published shortly.

Regulation and Competition

Some regulation is needed to prevent anti-competitive behaviour and to provide a framework which achieves a fair level of protection of the individual consumer. But a balance has to be struck between these needs and the risk that regulation will divert economic activity and impose unnecessary costs.

The DTI has aimed to achieve more open markets in telecommunications (see p 107, 1987) and financial services (see pp 51-4, 1986), and is currently consulting users of radio communications about the market for the radio spectrum. It is also promoting the adoption of published standards for its public purchasing requirements, in order to help create a market in which firms compete on equal terms; and has introduced in the House of Lords legislation in the area of copyright, patents, trade marks and industrial design which is intended to reward innovators' enterprise and protect their interests without thereby damaging competition.

Full competition and the freedom of the consumer to make effective choices depend on the quality of information available in the market. The DTI contributes here through its requirements for financial openness on the part of companies, its registry of company data, and its statistical publications.

Another essential contribution is made by those

[1]See also COI reference paper *Britain's Privatisation Policy*, No 245/87.

in the DTI and the private sector who administer the new insolvency legislation (see pp 160-2, 1985), and by the DTI staff responsible for the prudential regulation of the insurance industry and for the investigation of company affairs. Their work strengthens overseas confidence in Britain as a sound base for international investment and as a reliable financial and trading centre.

In consumer protection, the Government believes that the best situation is one in which consumers make informed choices. Information can be more effective than regulation in this area, but where a case is made out for regulation the Government will not hesitate to act. Consumer safety awareness campaigns will play an increasing part in the promotion of consumer safety.

Burdens on Business

In achieving a reduction of burdens on business across government, the DTI will continue to seek both to remove the burden of unnecessary government regulations from business and to improve regulation where it is absolutely essential. The Enterprise and Deregulation Unit, based now in the DTI, is responsible for co-ordinating the process of regulation reform throughout government. It is developing its system of assessing compliance costs (see p 208, 1987).

Within its own area the DTI will seek to reduce the costs to business of complying with new companies legislation, especially for small firms; it proposes to amend the Consumer Credit Act 1974 to remove business lending and hiring from the scope of the Act; and it will provide for greater self-regulation in the administration of the law on weights and measures.

In the Government's work on communication with business, regulators and those providing services must increasingly be seen, and see themselves, as facilitators of business. Training will be an important feature of this.

Another White Paper on progress on and new proposals for deregulation is to be published in the summer.

Open International Markets

The White Paper notes that open markets, international as well as domestic, are vital to Britain's economic prosperity. Exports account for about a third of national product and imports are similar in scale.

The Single European Market

There has been rapid growth in the proportion of Britain's exports that go to other Community countries; about half of British exports now go there. A single European market – which is to be established by 1992 and will embrace 320 million people (see pp 8-9) – would represent great potential for wealth creation, from which Britain, with its fast-growing economy, would be well placed to benefit.

Removing barriers to trade and establishing common rules is not enough, however. British business must prepare for the opportunity: its decisions on investment, corporate alliances and ability to build market share over the next five years are crucial, the White Paper says. The Government, for its part, is working to ensure that the single market is achieved, and in ways beneficial to Britain, and intends to bring home to industry the implications and opportunities it will present.

Among the Government's key objectives in the move towards the new market will be liberalisation of financial services, mutual recognition of standards, less bureaucracy in Europe, the maintenance of vigorous competition throughout the Community market, forceful application of state aids rules [relating to subsidies for certain industries made by individual member states], and open public purchasing, effectively enforced.

International Trade[1]

The world's economies are interdependent, the White Paper says, and the maintenance of open international markets rests mainly on the relationships between the European Community, Japan, the United States and, increasingly, the newly industrialised countries. The European Community has an essential role to play in developing these trade relationships, and Britain is working with its Community partners to encourage the commitment of the United States administration towards multilateralism and away from protectionism; to assist the process of fully integrating Japan into the world economic and trade system; and to encourage newly industrialised countries to take a full part in the international trading system.

The DTI will work through the Community to reinforce the GATT system (see pp 328-9, 1986). In the current round of talks the Government is working for a solution to the problem of agricultural surpluses, for the liberalisation of services, for stronger protection for intellectual property, for the acceptance of the full range of GATT obligations by the more advanced developing countries and for effective procedures for the settlement of disputes in GATT.

Open Markets for Investment

The free flow of international investment is an essential counterpart to open markets in international trade. Following the Government's abolition of exchange controls in 1979 Britain has built up a large and diversified portfolio of external assets and is second only to Japan as a net overseas investor.

The Government will continue to encourage inward investment (see p 159, 1987) both as an exemplar to domestic industry and as a valuable way of building the strength of the economy.

The DTI will also work with business to ensure that British companies have the same access to investment opportunities abroad as foreign companies have in Britain.

Business and Education

Bridging the historical divide between business and education is vital to encouraging the enterprise culture, to encourage young people to work in industry and commerce, to bring greater relevance to their education and to prepare them better for working life.

School/Employer Links

The DTI and other departments will encourage and assist employers to develop good links with schools

[1]See also COI reference papers *Britain and the International Trading System*, No 289/87, and *Britain's Overseas Trade*, No 54/87.

further (see pp 27 and 387, 1987). The pilot network of City Technology Colleges (see p 369, 1986) will directly involve employers in the management of secondary education and create a new kind of partnership between schools, industry and commerce. Curriculum reform[1] (see pp 426-8, 1987), new examinations and the Technical and Vocational Education Initiative (see pp 231-2, 1986) will also have a significant effect in the classroom.

To carry this process further, the Government will work towards achieving the following objectives: that every year 10 per cent of teachers should have the chance to gain some personal experience of the world of business; that every young person should have two or more weeks of suitable work experience before leaving school; and that every trainee teacher should gain an appreciation of the needs of employers. The DTI will publicise a range of possible activities to bring schools and businesses together, particularly through employer involvement in curriculum development, school and college management and enterprise activities in schools.

The DTI will also complement the education departments' strategy on information technology in schools by encouraging the use of education databases; and is immediately making £5 million available to support computer-aided design and other forms of advanced technology in schools and further education colleges.

Links with Higher Education[2]

Links between industry and higher education have multiplied over the last seven years and university income from industry grew from £23 million in 1981-82 to £59 million in 1985-86. The DTI has contributed through support for: collaborative research programmes; the setting up of industry clubs; the purchase of equipment for use in higher education institutions; the development of new engineering courses; and the establishment of a network of regional technology centres (see p 29, 1987).

A highly successful means of promoting partnership has been the Teaching Company Scheme under which young graduates undertake key projects in companies under the joint supervision of academic and company staff. It is proposed to increase the size of the scheme substantially by 1992 and to bring smaller and medium-sized firms increasingly into it.

DTI support for initiatives in engineering education will include support for course development for manufacturing systems engineers, more courses enabling engineering managers to follow advanced courses in new technology while continuing their careers in industry, and new courses leading to a general engineering degree.

Management

The White Paper identifies two specific sources of weakness in Britain: the low level of training and development provided for managers by their firms, and the failure of individual firms to develop managerial competence in functions crucial to competitive success.

The DTI is working with other departments and with industry to improve management education and development and to spread awareness about best management practices. It is leading the Government's strong support for the Charter Group initiative launched by the Confederation of British Industry and the British Institute of Management in November 1987, which aims to establish a code of best practice for management development.

Some management practices have widespread application throughout industry and commerce and the DTI has supported or run campaigns in areas such as quality (see p 173, 1983) and design (see p 25), and will be developing its work further.

Business Development

While management skills can be improved by training, many small and medium-sized enterprises can rarely spare their managers away from the workplace. An immediate addition to management resources can be made by the use of professional outside expertise, and the Government has run a number of schemes to encourage the use of private sector consultancy by small and medium-sized firms. It has now decided to run such schemes on a large scale, covering a wider range of aspects of management, and to promote them more strongly, as part of a general review of its services to industry.

The Enterprise Initiative

The new initiative, being launched immediately, brings together the services provided for industry and commerce by the DTI. It will be 'the most comprehensive self-help package offered to business by Government'.

To begin with it will comprise six business development initiatives which will enable businesses to become more competitive using expert private sector advice, and four others – the regional, export, research, and business and education initiatives.

These services will be provided in partnership with business, often provided by the private sector and rarely offering grants of more than 50 per cent. The emphasis of the Enterprise Initiative is on transferring best practice and providing information. The content of the initiatives will change over time as the needs of business change.

The six business development initiatives aim to encourage small and medium-sized firms to use outside consultancy services as a regular part of their management strategy. More than £50 million is being provided for these initiatives in 1988-89, and some 1,000 consultancy projects a month will be supported initially. The budget and the number of projects supported will be increased further over the two subsequent years. Firms with less than 500 employees will be eligible. The emphasis is on businesses where information about the value of outside services is likely to be limited and where existing management skills are unlikely to cover the full range of management functions. The level of DTI support will normally be half the costs of a consultancy project, and projects of between five and 15 man days will be supported. The level will be higher, however, in the assisted areas and inner city areas (see p 59).

[1]See also COI reference paper *Education Reforms in Britain*, No 301/88.

[2]See also COI reference paper *Science Parks in Britain*, No 265/87.

Four key functions will be covered by business development initiatives to start with – design, marketing, quality management and manufacturing systems. Two others will be added in April – business planning and financial and information systems.

Design. Assistance is available towards consultancy studies on the design of new products and the redesign of existing ones, and towards graphics and technical and promotional literature. Later the initiative will be widened to include broader aspects of design strategy which have a lasting impact on management performance.

Marketing. Support will be given to consultancy projects to help businesses to develop a strategic approach to marketing and create a marketing culture which permeates the business. More considered and effective approaches to export marketing will be included.

Quality Management. Support is available for projects to help firms set up quality management systems and to apply for approval by recognised certification bodies. Later the scheme will be broadened to provide advice on the 'total quality approach' adopted by a number of leading British companies.

Manufacturing Systems. Support is provided for consultancy on the technology and associated management challenges of introducing computer-aided design and manufacture, computer-assisted production management and flexible manufacturing systems.

Business Planning. Assistance will be available towards the cost of consultancies which will provide expert advice on how to develop strategic objectives and implement a business plan.

Financial and Information Systems. Support will be given to help improve existing budgeting and financial control systems or to design, introduce and operate new ones. Accounting records, use of data services and computer and software needs will also be covered.

The new initiatives are complementary to the services of the Small Firms Service of the Department of Employment (see p 279, 1987), advising in depth on specific management functions rather than providing basic counselling.

The initiatives will be made available through the DTI's regional offices in England and through the Scottish and Welsh Development Agencies. An important part of the service will be a free Business Review of up to two days of advice by a specially appointed Enterprise Counsellor who will help the management to assess constraints on growth and the relevance of consultancy advice.

In order to ensure that consultancy is impartial and of high quality, the DTI has engaged private sector contractors such as the Institute of Marketing, the Design Council and industry research associations, who will act as project managers in the provision of consultants.

Services to Exporters

Britain's exports are equivalent to about 30 per cent of its gross domestic product, and, while this is a higher proportion than in many comparable countries, research indicates considerable potential, particularly among smaller businesses, to improve export performance. The export arm of the DTI, the British Overseas Trade Board, assists exporters by providing information about export opportunities and overseas marketing conditions, and also by assisting with market entry. Alongside support for consultancy projects in export marketing is a range of services for exporters developed with the help of the Board. Following advice from the Board, DTI export services will be reorganised later this year to reflect exporters' needs better. The aim will be to encourage companies, particularly those inexperienced in export marketing, to think out their own planned approach to exporting and to use DTI's export services as part of a more developed strategy. The policy of charging will be maintained: where firms have to make a contribution themselves, their commitment to success is greater.

The DTI works through a variety of agencies to provide export support. It will in future work more closely with private sector organisations to ensure that help for exporters is delivered as effectively as possible and, over time, to increase the role played by the private sector in the provision of advice and information to exporters.

Regions and Inner Cities

The Government's policies in increasing competitiveness, encouraging innovation and improving the skills of individuals are even more relevant to the depressed areas and inner cities than they are to the rest of the country. Those policies will therefore be intensified, the White Paper says, in areas which have suffered the greatest industrial problems. But the problems of some areas are so serious that additional measures are required.

Regional Policy

The objective of regional policy remains as set out in December 1983 (see pp 15-18, 1984) – to encourage the development of indigenous potential within the assisted areas with the long-term objective of self-generating growth in these areas. But the Government now believes it will achieve this objective more effectively with a change in the balance of regional policy. Spending will go increasingly to policies which encourage business development. New policies are therefore being introduced:

– the business development initiatives have a significant regional dimension with higher levels of grant in assisted areas and urban programme areas than elsewhere (two-thirds instead of 50 per cent);

– new incentives will be introduced in the development areas from April 1988, designed to support the wealth creation process among the smallest firms. Firms with fewer than 25 employees will be able to apply for investment grants of 15 per cent towards the costs of fixed assets, subject to a maximum grant of £15,000. An innovation grant of 50 per cent subject to a maximum grant of £25,000 will also be available to such firms to support product and process development.

The Government has concluded that the development of local potential will be better met by such policies than through the regional development grant scheme, and that the latter should end. Regional development grant was available automatically to companies of any size, with no prior assessment of the benefits likely to result from projects supported. Companies seeking government assistance for investment projects should be required to show that they genuinely need grant in order to proceed and that their projects are viable and will produce identifiable and significant benefits. No new applications for regional development grant will be accepted after the end of March.

Grants towards the cost of investment projects which would not otherwise go ahead will continue to be available in the assisted areas under the regional selective assistance scheme. Firms applying for this already have to demonstrate a need for assistance from public funds.

The changes do not imply any diminution of the incentive available to attract inward investment projects, because these frequently meet the criteria for regional selective assistance.

It is intended that the existing regional map should remain in place for the lifetime of the present Parliament.

English Estates will continue to provide industrial and commercial premises in the assisted areas in England where there is no prospect of private sector provision. It has also been asked to give particular priority in future to a new programme of managed workspace, primarily in inner city locations and with considerable private sector involvement.

Inner Cities

The primary role for the DTI in working in the inner cities in England with other government departments and other agencies is to encourage business development, enterprise and employment. The identification of urban programme areas is a new policy for the DTI and recognises the particular difficulties of such areas. A number of inner cities will similarly benefit from the new measures for development areas as well as regional selective assistance. The DTI is also now responsible for co-ordinating the work of the City Action Teams in major cities and running 16 Inner City Task Forces (see p 178, 1987).

The City Action Teams comprise the regional directors of the DTI, the Department of Employment and the Department of the Environment who co-ordinate their departments' efforts to tackle the needs of local enterprise, employment and investment using a range of projects and programmes.

The Task Force programme is innovative and experimental. It aims to intensify and bring together the efforts of central and local government, the private sector and local communities in tackling urban problems. Experience to date has identified six main areas on which more attention should be focused: managed workshops to provide premises for new business; employment of local labour; training, targeted on the needs of local employers; Task Force funds to provide grants and loans for new and small businesses; school/industry links; and fostering businesses and organisations that can ultimately take over from the Task Forces.

The Government welcomes the increasing commitment being made by private sector companies in supporting inner city initiatives; over 200 companies are already taking part in Task Force activities. But only when commercial judgment comes to regard inner cities as a worthwhile investment will the underlying economic problem have been solved, the White Paper says.

Innovation, Using Technology

The DTI has been reviewing its role in encouraging innovation (see p 239, 1987). The main conclusion of that review is that the balance of existing policies should be changed in order to move away from near-market research and development support. The Government proposes to:

– give greater emphasis in collaborative programmes to longer-term research between companies, and to encourage collaboration between higher education institutions and companies;

– give greater emphasis to encouraging and facilitating the many different aspects of technology transfer;

– end the general scheme for providing innovation grant assistance to individual companies, and end the microelectronics industry support programme, the support for software products scheme and the fibreoptics and optoelectronics scheme, but continue to encourage small high-technology companies.

Firms themselves are seen as best able to assess their own markets and to balance the commercial risks and rewards of financing research and development and innovation. But the Government recognises that reliance on the decisions of firms may produce a level of innovation and use of technology which fails to provide the maximum benefits for the economy as a whole. The DTI's innovation policy should be focused primarily therefore on the circumstances where research is necessary before commercial applications can be developed, or where the benefits of the research are likely to be widespread, and on technology transfer.

The DTI's innovation policy will therefore be to encourage industry to increase its funding of research and development and to apply new technology more effectively; to encourage more and better technology transfer; to encourage industry to make most effective use of its own and academic resources through collaborative research and development both nationally and internationally, with particular emphasis on Europe; and to encourage innovation by small firms, especially in advanced technologies, and in the regions.

The basis for the DTI's innovation programmes is that they will achieve their objectives cost-effectively without supporting activities which should be funded by the market. Specific programmes will have testable objectives and will be time limited. Maximum grant provision will be 50 per cent of eligible costs; in appropriate cases grant rates will be tapered as the market potential becomes clearer.

The Environment for Innovation

The Government will seek to establish a more favourable environment for innovation in which

shareholders and managers can have information about, and be more able to assess, the value of research and technology. The reporting of research and development expenditure in annual accounts along the lines proposed by the Accounting Standards Committee will promote this understanding.

The Government has already announced improvements in the statistical information available on industrial research and development, and now publishes an annual review of government-funded research and development. It has also announced a strengthened central structure for collective ministerial consideration of science and technology priorities (see p 276, 1987).

The DTI also reviews new developments which seem likely to promote innovation and the use of technology, and will continue to give publicity and encouragement to best practice.

Collaborative Research

Few European countries can compete with the scale of resources available to the United States and Japan, the White Paper says, but collaborative research can maximise the strengths of industries and researchers in different European countries. The DTI will encourage the participation of British companies in technological collaboration with other European firms and research communities, including programmes such as ESPRIT and RACE (see p 383, 1987).

There are four main ways in which collaborative research can be encouraged and financed:

– the LINK programme (see p 70) encourages companies to undertake joint research with higher education institutions and research councils. The research will be pre-competitive but industrially relevant;

– EUREKA (see p 329, 1987) encourages industrially led projects with European Community and other European partners;

– national collaborative research programmes promote longer-term industrially led projects between British companies in advanced technologies. The role of the DTI in these is to help establish the collaborative links, both among firms and between firms and the research community, at the pre-competitive stage. The DTI is currently running collaborative programmes in advanced robotics and gallium arsenide [a semiconductor material with the potential to provide very fast microelectronic operations – see p 70, 1987], and a new programme on superconductivity is now being launched;

– general industrial collaborative projects have a variety of roles. Some foster research and development serving the interests of fragmented industries where small firms typically do not have the resources for advanced technological projects. Some encourage the adoption of technology originating in the science base, particularly in the Government's research establishments. And some are collaborative projects involving only industrial participants in joint research for companies with similar interests.

Research covered by the collaborative programme will change over time. In future the DTI will only contribute funds to research which would not and could not go ahead without some support from the taxpayer.

Within the context of these policies the Government has considered whether the proposals in the report of the 1986 Committee (see p 34, 1987) should be included among national collaborative research programmes. The Government has already agreed to support ESPRIT II, to which Britain will contribute some £200 million. The Government also recognises that the Alvey Programme (see p 34, 1987) has provided a good focus for the information technology research community, but nevertheless accepts that some resources should be devoted to a national initiative complementary to ESPRIT. Accordingly the DTI has earmarked £29 million over the next three years for programmes in this area, and the Science and Engineering Research Council plans to devote some £55 million over five years to related academic research, mainly in partnership with companies. Together with ESPRIT II these and other programmes provide very substantial support for collaborative research in information technology.

Technology Transfer

Britain's overall weakness in industrial innovation performance lies not in the inadequacies of scientific or inventive capability, but in the transfer of that capability into commercial application. The DTI aims to encourage technology transfer where the market is weakest, particularly in three areas: links between industry and educational institutions, research councils and government research establishments; the access of small firms to sources of technology, especially in those localities where technology transfer networks are least developed; and the diffusion of new technologies likely to have pervasive applications but in novel and unfamiliar ways, often requiring changes in other aspects of existing products and processes.

The range of the DTI's programmes includes: the establishment of regional technology centres (see p 29, 1987); training, demonstrator and awareness programmes in modern manufacturing techniques and technologies (including biotechnology and advanced integrated manufacturing systems); the Teaching Company Scheme (see above, 'Business and Education'); and inward technology transfer.

Small Firms and Start-Ups

The focus of government funding in future will be on research and technology transfer which spans companies and not on projects in single companies. But the decision to end general support for projects in single companies does not exclude funding innovation in individual companies completely. Funding innovation in start-ups, the growth of new technology-based small firms, and innovation in small firms in regions with a limited technological infrastructure can add to innovation throughout the economy. The Government is therefore expanding the Small Firms Merit Award for Research and Technology to encourage the start-up of small high-technology firms. Innovation grants for small firms with fewer than 25 employees in development areas are also being introduced (see above, Regional Policy').

Exceptional Projects

There may be exceptional cases of support for single company projects, but only where they would not be undertaken without financial assistance from the Government and where the projects are significantly innovative and high risk and are expected to generate wider and additional benefits to Britain's economy.

Space

The Government currently spends around £120 million a year on civil space science and research and development; the DTI is responsible for some £70 million of this. No increase is proposed. The DTI is taking a fresh look at the distribution of support for individual European and domestic programmes. If it attaches importance to the results of space research and development it will look to the private sector to play an increasingly important role in future programmes.

Business and Government

The White Paper says that the main responsibility for efficiency and the achievement of prosperity lies with industry and commerce. The role of the DTI is to inform, encourage and facilitate by working in partnership with business. To achieve this partnership requires some changes in the approach and organisation of the DTI.

At present the DTI is seen as responsible for sponsoring a wide variety of specific industries. There is a danger that 'sponsorship' can be interpreted as 'responsibility', obscuring the message that industry is responsible for its destiny. At the same time concentration on individual sectors or companies inhibits the DTI from its real role of spreading best business practice.

In future, therefore, there will be greater emphasis given to issues which span all industry and commerce – information technology, materials and manufacturing technology. The focus of DTI work will move away from the suppliers of technology to the users. In addition the existing 'industry' divisions of the DTI are being replaced by 'market' divisions, which will focus on the markets for particular goods and services rather than specific supplier industries. They will tackle broad policy issues affecting all the suppliers and customers in the market in question, rather than dealing with particular industries.

These structural changes will be supplemented by the strengthening of mechanisms for the review and evaluation of programmes and priorities. Communication with business will also be improved, something which will help the DTI to be better aware of the impact on business of all government policies and thereby seek to minimise their interference with the wealth creation process. Increased use will be made of the private sector in the evaluation of important issues, not only in the provision of advice or in the sector's involvement in the business development initiatives, but by employing outside agencies to deliver some of the services. This would extend the range of DTI contacts with industry and gain access to wider networks of contacts with small and medium-sized firms.

Enterprise and Wealth

Britain's buoyant economy owed much to the development of an enterprise culture, the Secretary of State for Trade and Industry, Lord Young of Graffham, observed in a speech in New York on 25 January. This had enabled Britain to transform itself from a wealth-consuming to a wealth-creating society.

Improvements in Economic Performance

Addressing the British American Chamber of Commerce on the theme of progress and change in Britain, the Secretary of State drew attention to the close economic links between the two countries: there were substantial trade and investment flows in both directions.

The recent rapid increase in United States investment in Britain (the largest recipient in Europe of such investment) had been made possible by the growth in the confidence of British business since the late 1970s. Britain had halted and then reversed its relative decline; there had been a sustained improvement since 1981, when the economy began to recover from recession. While much of the credit was due to industry, action by government – in taking a clear view of its role, playing it effectively and giving industry freedom to use its initiative – had also been important.

Lord Young singled out some facts of British performance in the 1980s:

– the economy was in its seventh successive year of growth at an annual rate of almost 3 per cent;

– for the last five of those years, steady growth had been combined with low inflation;

– since 1980 Britain had grown faster than any other member country of the European Community and, over the last three years, as fast as Japan and significantly faster than France and the Federal Republic of Germany;

– overmanning and over-capacity in manufacturing had been tackled;

– output per man-hour in manufacturing had risen by over one-third since 1980 and productivity was increasing faster than in the other major industrialised countries;

– Britain's share of manufactured exports of the large economies, having declined over a long period, had stabilised since 1981;

– manufacturing output was growing by over 6 per cent a year;

– investment, profitability and the rate of return on capital were all at high levels;

– since 1983 more than 1·25 million jobs had been created while the unemployment rate had fallen to below 10 per cent.

'These [figures] point unerringly to the extent to which Britain's economic and industrial performance has improved not only relative to our own past performance but also relative to other countries,' the Secretary of State declared.

Enterprise

Figures were only part of the story, he continued. 'Many of the changes which have taken place, and

some of the most important, are changes which cannot be quantified.' Most important was enterprise, the development of an enterprise culture being a fundamental change brought about by the Government (see pp 53-62). For too long in Britain there had been the view that commercial and industrial initiatives were the preserve of large organisations, often state-owned. Risk was something to be eliminated and there was often little incentive to display enterprise in large organisations.

All this had changed. Large firms had reorganised their activities, sharpened their competitive edge and put increased emphasis on performance. There had been 'a dramatic transformation' in the field of self-employment, which had risen by 40 per cent since 1979. New businesses had been established at a net rate of 500 a week since 1979. There had been a fortyfold expansion in venture capital investment between 1979 and 1985; it comprised a higher proportion of gross domestic product in Britain than in the United States (see p 24).

This enterprising approach was now evident in many of the activities that had been privatised (see pp 154-6, 1986, and COI reference paper *Britain's Privatisation Policy,* No 245/87). Many concerns that had remained in the public sector had placed an increased emphasis on value for money and improvements in performance. At all levels of industry there was a new awareness of the relationship between improvements in output, quality, reliability and delivery, on the one hand, and increased salaries and security of employment, on the other. There were signs of a more constructive and co-operative approach in industry, with management and labour at last starting to work together. There had been a marked reduction in the incidence of industrial disputes (see pp 411-13, 1987). There was also a greater recognition of the importance of wealth creation (see pp 264-5, 1987) and the fact that it occurred as a result of the enterprise of businesses and individuals rather than the intervention of bureaucracy. The Secretary of State also detected a greater readiness to take a vigorous and direct role in wealth creation rather than leave it to government, a committee or merely somebody else.

Financial Services

Nowhere had these changes been more apparent than in the City of London, which now had well over 300 foreign banks and more United States banks than New York.

Britain played a major role in the provision of financial services. Together with the United States and Japan, it was leading the movement towards a global market. Britain's financial services sector now employed more than 1 million people, accounting for 8 per cent of domestic output and over £9,000 million a year for the balance of payments.

Referring to the collapse in world stock markets in October 1987 (see pp 368-9, 1987), Lord Young said this had shown that no market today could expect to be immune from movements in another market; this interdependence now had to be reflected in the closer co-operation between regulators, in which Britain was playing an important part. Britain's system for the recognition of overseas stock exchanges, introduced in the Financial Services Act 1986 (see pp 51-4, 1986) and due to come into effect in April, relied on the high quality of regulation of overseas markets and on effective co-operation between regulators to ensure that no avoidable burdens were imposed.

Industrial Policy

An emphasis on regulatory flexibility and an avoidance of unnecessary restrictions were reflected in the Government's attitude to all industrial and economic activity. The Government was of the view that its main role was the provision of a favourable climate for business and enterprise. However, this role stopped short of intervention in business investment and marketing decisions. Industry itself had the responsibility and the freedom to manage its activities competitively and effectively: 'We believe that business decisions should be made by business people.'

The Secretary of State appreciated that some companies – particularly small ones – might lack the resources to raise their performance to match that of the best. Their need, however, was not for financial help but for access to expert advice of the type that many large companies had within their own confines.

Economic Policy

The Government's economic objective had been to maintain downward pressure on the rate of inflation, which it saw as the essential basis for sustained growth and rising employment. The objective had been achieved by keeping in place a firm financial framework by means of monetary policy, supported by control of public expenditure and borrowing.

Careful control of public spending had helped the Government to bring about substantial reductions in rates of tax on personal and corporate income: 'Our aim is to encourage enterprise, not penalise it.'

The transfer of major public corporations to the private sector had led to a reduction in the size of the state-owned sector by one-third; further transfers would follow.

A welcome benefit of privatisation had been the opportunity to spread share ownership more widely. The number of shareholders had trebled since 1979 and, in relation to population, was close to United States levels (see p 138, 1987). Nearly 20 per cent of the adult population of Britain owned shares – 15 per cent of them in privatised companies or the Trustee Savings Bank (see p 365, 1986).

Expansion of the private sector was only one aspect of increasing the scope for enterprise. People could not be expected to show enterprise if they were burdened by unnecessary official controls or regulations. The Government had done away with unnecessary controls on, for example, foreign exchange transactions (see p 162, 1980), prices (see pp 162-3. 1979) and factory location (see p 28, 1982), and had opened up a number of professional services to competition (see p 304, 1986). A unit in the Department of Trade and Industry co-ordinated work to reduce the burden of official regulations (see p 265, 1987).

In the labour market the Government was encouraging flexibility and introducing further measures to make trade unions more democratic and accountable, and had adopted measures to encourage training and retraining (see pp 377-8, 1987).

To encourage business formation, there were measures such as the Enterprise Allowance Scheme (see p 62, 1987), which helped unemployed people over the first critical year of establishing a business, and advisory services for small firms (see pp 279-80, 1987).

Education

The Government was taking steps to foster close links between industry and educational institutions (see pp 73-5, 1986). Education was one of the keys to sustained economic growth: 'No economy can hope to be successful without a steady stream of skilful, well motivated workers who can adapt to change.'

Conclusion

The philosophy of the enterprise culture was rapidly gaining acceptance in Britain, which was moving from a wealth-consuming society to a wealth-creating society. 'I am convinced that in the process we are succeeding in creating in Britain an investment and business environment that is second to none', Lord Young concluded.

Taxes and Social Security Contributions

Britain, in common with other industrialised countries, experienced a significant increase between 1975 and 1985 in taxes and social security contributions as a percentage of gross national product; their share rose from 40 to 44 per cent. The relative importance of indirect taxes increased sharply between 1975 and 1980 but has since declined. With the development of the oil sector, corporate taxes have become relatively more important.

The December 1987 issue of *Economic Trends*[1] contains an article on international comparisons of taxes and social security contributions in 17 member countries of the Organisation for Economic Co-operation and Development from 1975 to 1985 (although complete data are not available for all countries).

Taxes and Social Security Contributions in Relation to National and Domestic Product

Taxes and social security contributions accounted for 44 per cent of Britain's gross national product (GNP) at factor cost in 1985, placing Britain tenth out of 17 countries (see Table 1). The percentages had increased in each of the countries since 1975, when Britain's figure of 40 per cent had put it in ninth position.

Taxes alone comprised 36 per cent of Britain's GNP in 1985 (see Table 2), placing Britain in fourth position out of the same 17 countries. In common with most of the other countries, Britain had had a lower proportion in 1975 (33 per cent, placing it fifth).

For 13 countries, estimates for 1985 and preliminary estimates for 1986 are given for taxes and social security contributions as a percentage of gross domestic product at market prices. Britain occupied eighth place in both years, with 38 per cent in 1985 and 39 per cent in 1986.

Composition of Taxes and Social Security Contributions

The article looks at variations between 1975 and 1985 in the relative importance of various taxes by considering their changing share of total taxes and social security contributions.

Nearly half the countries experienced a fall in direct taxes on households as a percentage of total taxes and social security contributions. In Britain the decline was particularly sharp, the share falling from 39 per cent in 1975 to 31 per cent in 1980 (reflecting

[1]Central Statistical Office. HMSO, £9·25. ISBN 0 11 620274 2.

Table 1

Taxes and Social Security Contributions as a Percentage of GNP at Factor Cost

	1975		1985	
	Percentage	Rank	Percentage	Rank
Denmark	48	4	61	1
Sweden	49	2	59	2
Norway	54	1	58	3
France	42	8	53	4
Belgium	45	6	51	5
Austria	46	5	50	6
Netherlands	49	3	50	7
Federal Republic of Germany	45	7	46	8
Italy	31	12	45	9
Britain	40	9	44	10
Finland	39	10	42	11
Greece	28	16	38	12
Canada	36	11	37	13
Australia	31	13	36	14
Switzerland	30	14	32	15
Japan	24	17	31	16
United States	30	15	31	17

Table 2

Taxes as a Percentage of GNP at Factor Cost

	1975		1985	
	Percentage	Rank	Percentage	Rank
Denmark	47	1	59	1
Norway	39	3	45	2
Sweden	40	2	44	3
Britain	33	5	36	4
Austria	34	4	36	5
Australia	31	9	36	6
Finland	32	6	36	7
Belgium	31	8	35	8
Canada	32	7	32	9
Italy	17	17	30	10
France	25	12	30	11
Federal Republic of Germany	28	11	28	12
Netherlands	30	10	28	13
Greece	20	15	25	14
United States	24	13	23	15
Japan	17	16	22	16
Switzerland	22	14	22	17

the shift from direct to indirect taxation in the 1979 Budget – see p 193, 1979) and to 28 per cent in 1985.

Britain was one of only two countries in which the share of direct taxes on corporate income rose sharply; largely because of the growing importance of taxes on profits from North Sea oil, the figure increased from 7 per cent in 1975 to 13 per cent in 1985.

The share of indirect taxes fell in most of the countries. In Britain, however, it rose from 36 per cent in 1975 to 43 per cent in 1980 (reflecting the measures in the 1979 Budget) but then declined to 41 per cent in 1985.

The proportion taken up by social security contributions increased in most of the countries. In Britain, however, the figure was 18 per cent in both 1975 and 1985.

Direct Taxes on Households and Social Security Contributions in Relation to Total Personal Income

In 1975 direct taxes on households and employees' social security contributions accounted for 19 per cent of total personal income in Britain (direct taxes 16 per cent and social security contributions 3 per cent), placing it fifth out of 12 countries (see Table 3). By 1985 the figure had fallen to 17 per cent (direct taxes 13 per cent and social security contributions 4 per cent), and Britain's position was seventh.

Table 3

Direct Taxes on Households and Employees' Social Security Contributions as a Percentage of Total Personal Income

	1975			1985		
	Direct taxes	Social security contributions	Total	Direct taxes	Social security contributions	Total
Sweden	25	1	25	24	1	25
Netherlands	13	9	23	10	13	23
Belgium	14	5	19	16	7	23
Federal Republic of Germany	12	9	21	12	10	22
Switzerland	14	6	20	14	7	21
Australia	15	–	15	17	–	17
Britain	16	3	19	13	4	17
Canada	14	2	16	14	2	16
United States	11	3	14	12	4	16
France	6	5	11	8	8	15
Japan	6	4	9	8	5	12
Italy	5	2	8	*na*	*na*	*na*

na = not available.

Note: Differences between totals and the sums of their component parts are due to rounding.

Agriculture and Forestry

Though aggregate farm income declined slightly, gross agricultural output remained stable in 1987, despite adverse weather conditions, according to the *Annual Review of Agriculture 1988*, published on 25 January. Schemes to encourage the planting of woodlands and farm diversification are contained in the Farm Land and Rural Development Bill, which has been given a second reading in the House of Commons.

The value of sawn wood and timber-based products manufactured by the domestic wood-processing industry now exceeds £400 million a year, according to the annual report of the Forestry Commission.

AGRICULTURE

Crop yields and quality during 1987, says the review,[1] were adversely affected in most parts of Britain by the wet spring and summer, which culminated in a difficult harvest and autumn. On livestock farms the wet spring delayed turnout and although quantities of conserved grass were satisfactory, quality was below average. The figures given below are as at 1 June 1987, and do not reflect the severe damage, especially in south-east England, done by the storm of 15-16 October 1987.

General Developments

Farm Structure

In June 1987, of the 254,300 farm holdings in Britain, the 29,500 in the largest size group, 11·6 per cent of the total, accounted for just over 55 per cent of output. Only some 2·5 per cent of output came from the 110,000 holdings in the smallest size group, 43 per cent of the total. In Wales and Northern Ireland output from smaller scale farms is relatively more important than in other parts of Britain.

The average size (including rough grass) of full-time businesses is a little over 106 hectares,[2] compared with just over 105 hectares in 1984. More specialisation and a further decline in the number of holdings continue to contribute to an increase in the average size of farms. During 1984-87, for example, there were increases of between 2 and 8 per cent in the average areas of enterprises growing cereals, potatoes, sugar beet and oilseed rape. The average breeding pig holding increased by 16 per cent, as did the average broiler flock. Average sizes of dairy herds and breeding sheep flocks grew by 5 and 3 per cent respectively. In the same period numbers of holdings growing cereals, potatoes and sugar beet declined by between 4 and 17 per cent. Those with oilseed rape, however, grew by 37 per cent. Fewer holdings had dairy cows and beef cows, but the number of holdings with breeding sheep rose by 6 per cent. With the exception of broilers, the number of holdings with pig and poultry enterprises fell by between 8 and 12 per cent. In 1987, as in 1984, there were 2,000 holdings with broilers.

In England, Scotland and Wales about 72 per cent of farms were wholly or mainly owner-occupied, compared with 54 per cent in 1960-61, and the proportion of agricultural land farmed by its owner increased from 52 per cent in 1960-61 to 62 per cent in 1987. Almost all farms in Northern Ireland are owner-occupied.

Output and Input

Gross output in 1987 is estimated at £12,260 million, a decrease of £54 million (less than 0·5 per cent), reflecting the decline in volume, following an increase of £318 million (2·7 per cent) in 1986. Rises in output are expected from livestock (up by nearly 4·5 per cent); potatoes (14 per cent); and vegetables (8 per cent). After the disappointing harvest, sales of cereals off farms are expected to drop 11 per cent in value and of fruit 10 per cent, partly as a result of storm damage. Sales of livestock products are forecast to fall by 2 per cent, largely because of the decrease in dairy quotas, although the drop in milk sales, by 4 per cent, should be partly offset by an 8 per cent increase in the value of egg sales.

Gross input is estimated at £6,480 million, a decrease of £37 million over 1986. Almost all major inputs are expected to show a drop in volume of between 1 and 6 per cent.

Productivity

The index of gross agricultural product at constant prices per full-time worker equivalent reflects such influences as technical improvements in plant and animal breeding, changes in farming organisation and in the labour force, and short-term fluctuations caused by weather and other factors. There was an average annual increase of about 5·5 per cent during 1977-86, although in 1987 the index is forecast to rise by only 0·5 per cent, attributable to a fall in labour input by 2·5 per cent and a decrease in gross product at constant prices of about 2 per cent.

The number of people engaged in agriculture in 1987 is provisionally put at 670,000, of whom 142,000 were regular full-time workers; 157,000 part-time, seasonal or casual workers; and 364,000 farmers, partners, directors and their spouses.

Income

Overall aggregate income in 1987, the return to farmers and their spouses for their labour, management and own capital investment, is forecast at £1,404 million, compared with £1,427 million in 1986 and £1,085 million in 1985.

Incomes on cereal and general cropping farms increased considerably in 1986-87 and those on dairy farms showed some improvement. Falls in income were recorded for hill and upland livestock farms in England and Scotland, but there was a rise in Northern Ireland and no change in Wales. For lowland livestock farms, a fall in England contrasted with a rise in Scotland. Incomes on pig and poultry farms in England showed a slight decline.

Investment and Public Expenditure

The value of investment in fixed assets is estimated to have fallen by some 12 per cent in 1987 to £910 million, in buildings and works by about 14 per cent to £380 million, and in plant, machinery and vehicles by 11 per cent to £530 million. In aggregate the volume of gross fixed capital formation is estimated to have fallen by some 12 per cent compared with 1986.

[1] *Annual Review of Agriculture 1988*. Cm 299. HMSO, £7·40. ISBN 0 10 102992 6.

[2] 1 hectare = 2·47 acres.

Public expenditure in Britain on market regulation under the European Community's Common Agricultural Policy is expected to be about £1,481 million in 1987-88, compared with £1,165 million in 1986-87. Other expenditure on agricultural support, including price guarantees, capital grants and assistance for agriculture in special areas, is expected to be lower in 1987-88, at £255 million, compared with £278 million in 1986-87.

Commodity Trends

Cereals and Other Crops

In 1987 cereals were grown on 3·94 million hectares, a net reduction of 84,000 hectares since 1986, with increases of 13,000 hectares for winter barley and 3,000 hectares for oats; but the area sown to wheat was 5,000 hectares below the 1986 record area of 1·98 million hectares and the spring barley area was down by 95,000 hectares. Total cereal production is estimated at 21·7 million tonnes, nearly 3 million tonnes lower than in 1986. The wheat harvest was particularly affected by prolonged wet weather in August and September.

The area sown to oilseed rape in 1987 expanded by over 30 per cent to some 391,000 hectares; average yields, at 3·4 tonnes a hectare, were higher than in 1986. Production is expected to have reached 1·32 million tonnes, an increase of nearly 40 per cent.

Because of poor weather, potato plantings in 1987, at 180,000 hectares, were below the target area for Britain of 187,000 hectares. Total production, however, is expected to be about 6·6 million tonnes, an increase of 2·3 per cent.

The review estimates that the harvested area of sugar beet was about 200,000 hectares, about 1,000 hectares less than in 1986, and that the crop may have yielded 1·2 million tonnes of white sugar, compared with 1·3 million tonnes in 1986.

Horticulture

The area devoted to horticulture in 1987 was about 197,000 hectares, compared with 213,000 hectares in 1986. Poor weather caused considerable fluctuations in yields in the field vegetable and soft fruit sectors; in the top fruit sector most varieties of dessert apples showed a slight increase, and the pear yield was up by 16 per cent.

Livestock

The June 1987 census showed a decline of just over 1·5 per cent in the cattle-breeding herd. However, the decline in the beef-breeding herd was arrested, with an increase of almost 2·5 per cent, while the dairy herd, which accounts for about 70 per cent of breeding cows, fell by over 3 per cent. Home-fed production of beef and veal is expected to be about 3 per cent higher than in 1986, at 1·08 million tonnes. The average yield for each cow is thought to have fallen by about 1·75 per cent, in response to the lower level of milk quota set for the year 1986-87. Total supplies are therefore expected to be over 5·5 per cent lower than in 1986, at 14,741 million litres.[1] Provisional figures for 1987 show that there were 12·2 million cattle and calves, including 3 million dairy cows and 1·3 million beef cows.

[1] 1 litre = 1·76 pints.

The sheep-breeding flock expanded by nearly 4 per cent between June 1986 and June 1987, a slightly higher increase than in the previous year. Home-fed production of sheepmeat is expected to be 7 per cent higher than in 1986, at 325,000 tonnes. Clip wool production is estimated to have been 44 million kg (97 million lb), the highest so far recorded. The estimated number of sheep and lambs was some 38·8 million.

Pigmeat production is estimated to have been 977,000 tonnes, compared with 966,000 tonnes in 1986. Poultry-meat production is estimated to have risen by 6 per cent in 1987 to 978,000 tonnes, and further increases are forecast in 1988.

Farm Land and Rural Development Bill

The Bill, given an unopposed second reading in the House of Commons on 1 February (*Hansard*, Vol 126, No 84, cols 772-818), provides for the introduction of the Farm Woodland Scheme (see pp 103 and 414-15, 1987) and the Farm Diversification Scheme (see pp 102-4 and 415, 1987).

Presenting the Bill, the Minister of Agriculture, Fisheries and Food, Mr John MacGregor, said that the 90 million trees, to be planted over three years, envisaged in the Farm Woodland Scheme would be even more necessary in view of the loss of 15 million trees in southern England and East Anglia during the storm of 15-16 October (see p 68). The Government intended to introduce the scheme in time for the autumn planting season. (In addition to the annual payments to assist tree-planting, farmers would also be eligible for forestry planting grants under existing schemes [see p 68]. For a wood of three to ten hectares the broadleaved woodland grant for pure broadleaves was currently £800 a hectare – nearly double the conifer rate of £420 a hectare.) The Government also intended to allocate places in the scheme in order of applications being approved until the limit of 36,000 hectares was reached.

With regard to farm diversification, £3 million would be available annually for capital grants and £1 million towards the cost of feasibility studies and employing marketing personnel in the initial stage of a diversified business. Non-capital grants of 50 per cent would be available towards the cost of a study, and 40, 30 and 20 per cent degressively over three years towards the cost of employing marketing personnel. The limit would be £3,000 a year for individuals and £10,000 a year for groups.

FORESTRY

In its report[1] for 1986-87 the Forestry Commission (see p 64, 1987) records that the value of sawn wood, paper and paperboard, and wood-based panel products manufactured by the domestic wood-processing industry from timber grown in British forests, now exceeds £400 million a year. Since the early 1980s the wood-processing industry has attracted new investment totalling over £600 million.

Forest land owned by the Forestry Commission in Great Britain totalled 926,436 hectares in 1986-87: 242,490 hectares in England, 134,405 hectares in

[1] *Forestry Commission. 67th Annual Report and Accounts 1986-87.* HMSO, £8·50. ISBN 0 10 217188 2.

Wales and 549,541 hectares in Scotland. New planting (including restocking) covered 13,380 hectares (12,356 conifers and 1,024 broadleaved). As in 1985-86 the area restocked (8,038 hectares) by the Commission substantially exceeded the area of new planting (5,432 hectares). The Commission's reserve of land for planting is 26,758 hectares. Grant-aided plantings by private woodland owners covered 23,618 hectares, the highest level for 14 years; new planting accounting for 19,147 hectares. Private broadleaved planting increased to 3,187 hectares, compared with 2,341 hectares in 1985-86.

The volume of wood harvested on Commission lands in 1986-87 totalled 3·3 million cubic metres,[1] a 7 per cent increase over 1985-86. Income from timber sales totalled £64·8 million, an increase of 11 per cent. The Commission's parliamentary grant for 1986-87 was £53 million.

British consumption of paper and paperboard products increased for the fourth successive year, reaching 8 million tonnes, the highest level since 1974. Domestic supply to this market rose by 6 per cent. Just under 1 million cubic metres of particleboard were produced in Britain in 1986-87, domestic consumption growing by 5 per cent over 1985-86 and home industry increasing its market share to a little over 39 per cent. Total consumption of softwood sawn timber was just over 8·3 million cubic metres, the highest level since 1973, with domestic production staying at about 1·3 million cubic metres. Although British producers' share of the total market in this sector declined from 18 to 16 per cent, the latter figure still compares favourably with the 2 per cent recorded in 1972.

Forestry and the Environment

The report refers to projects undertaken in accordance with the Commission's nature conservation policy, including management, with the co-operation of the Nature Conservancy Council (NCC), of the 344 sites of special scientific interest (see p 414, 1987) on Commission land. These include the New Forest (Hampshire), ancient Scottish pinewoods and upland heaths. It also stresses the importance of a balanced level of forest planting in the peatlands of Caithness and Sutherland (Highland), where trees have been shown to grow well and local wood industries could bring employment in forestry up to ten times its present level.

In the 15 months up to 31 March 1987, the report continues, the Commission received some 5,200 applications to join the broadleaved woodland grant scheme, covering some 37,000 hectares, of which 23,000 hectares were approved.

The 1986 forest health survey, extended to include a wide range of conifers, showed a slightly poorer state than in 1985. Winter cold damage, more critical observation of crown condition, and fungal and insect attack are believed to be largely responsible, though stress caused by such factors as air pollution cannot be ruled out.

The Commission has also reached agreement with the NCC and the Countryside Commissions on consultation arrangements for forestry proposals in environmentally sensitive areas (see p 300, 1986, and p 419, 1987). Work has also begun on the preparation of guidelines to reduce the adverse effects on the quality of water supplies from afforested catchments as a result of forestry operations, and the Commission continues to participate in research projects on the interaction of forests and hydrology.

Forest Recreation

A review of Commission recreation policies is underway, with new techniques being developed to explain the forest environment to visitors, including children.

[1] 1 cubic metre = 35·316 cubic feet.

Storm Damage to Tree Cover

The results of a survey, by the Forest Windblow Action Committee, of the damage to tree cover caused by the storm of 15-16 October (see p 415, 1987, and p 25) were given by the Earl of Caithness, Minister of State at the Department of the Environment, in the House of Lords on 21 January (*Hansard* [HL], Vol 492, No 63, cols 395-6). Although local authorities and others had responded 'with speed and efficiency' in the work of replanting and a good deal had already taken place, some 4 million cubic metres of timber had been blown down, representing about 15 million trees. The scale of the loss, said Lord Caithness, could be gauged from the fact that in 1986 annual domestic production of timber in Britain was 5·6 million cubic metres, 80 per cent of which was softwood. About 50 per cent of timber lost was broadleaves.

The Committee estimated that 70 per cent of the total loss was in private woodlands; 25 per cent in woodlands managed by the Forestry Commission; and 5 per cent in hedgerows, parks and gardens. In West Sussex, East Sussex, Suffolk and Kent, the worst affected counties, 20 per cent of all timber was estimated to have been brought down.

English Heritage, the Minister continued, had carried out an appraisal of damage to historic parks and gardens: of 336 gardens in affected counties on its register, 161 had suffered significant tree loss and in 46, historically important tree landscapes had been virtually flattened. The Government, he said, which was contributing £3 million in 1987-88 towards tree replanting, would increase the Countryside Commission's grant by a further £500,000, of which £250,000 would be available for tree-planting, and would make a further £800,000 available to supplement the Commission's planting programme in 1988-89.

Merchant Shipping Bill

The Merchant Shipping Bill, which contains provisions to improve standards of marine safety, update the law on ship registration, reform the law on fishing vessel registration and ensure that Britain's strategic maritime requirements are met, has received its second reading in the House of Commons.

The Bill was given an unopposed second reading in the House of Commons on 28 January (*Hansard*, Vol

126, No 82, cols 506-58), although an official Opposition motion to refer the Bill to a Special Standing Committee was rejected.

Main Provisions

The first part of the Bill is concerned with implementing new arrangements for ship registration, updating the law which has been little changed since the Merchant Shipping Act 1894. Eligibility to place a ship on the British register is redefined, with the objective of achieving more effective jurisdiction over British registered ships. The other main objective of this part of the Bill is to improve the safety standards of ships registered in the dependent territories, and clause 10 provides for categories of registry to be established so as to restrict the types of ships that may be registered in Crown dependencies and dependent territories.

Part two of the Bill provides for the establishment of a new system of registration of fishing vessels. It contains stringent new eligibility requirements, so that a vessel would not be eligible for registration unless ownership and other requirements were met. The effect of tightening the law would be that any company wishing to register a fishing vessel would have to be largely owned and managed by British citizens resident in Britain.

In December 1986 the then Secretary of State for Transport, Mr John Moore, set out the Government's views on changes that were taking place in British shipping in the light of the decline in the merchant fleet. Mr Moore announced three initiatives related to the Government's objective of ensuring that the industry remained capable of meeting the nation's essential shipping needs in times of emergency or war: assistance with training, support for crew relief costs and the establishment of a Merchant Navy Reserve. Provision for these three schemes is contained in the third part of the Bill. This section also includes a number of provisions relating to safety or pollution, some of which arise from events connected with the loss of the *Herald of Free Enterprise* in March 1987 (see pp 275-6, 1987). Clauses 29 to 31 strengthen the provisions on the operation of ships, with clause 30 creating a new duty on shipowners to ensure that ships are operated in a safe manner. Clause 32 empowers the Secretary of State for Transport to appoint inspectors of marine accidents to investigate accidents at sea.

The implementation in Britain of the International Convention on Civil Liability for Oil Pollution Damage 1984 and the International Convention on the Establishment of an International Fund for Compensation for Oil Pollution Damage 1984 are provided for by clause 33. These conventions, which would replace earlier agreements, would increase the limits of shipowners' liability for oil pollution damage and increase compensation available from the International Fund. Clause 34 provides the Secretary of State with powers to make regulations to control ship-to-ship transfers within British territorial waters, and the Government intends to make regulations controlling the transfer of cargoes which pose a pollution risk within territorial waters.

The Bill makes a number of amendments to strengthen the Government's powers under the Merchant Shipping Acts 1974 and 1979 to take effective action against unfair competition by other countries in shipping services. This would implement a European Community regulation, agreed in 1986, which provides for co-ordinated action between member states against restrictive practices by third countries.

PARLIAMENTARY DEBATE

Minister's Speech

Opening the debate, the Secretary of State for Transport, Mr Paul Channon, said that the report by Mr Justice Sheen (see pp 275-6, 1987) into the sinking of the *Herald of Free Enterprise* had formed the basis for the Government's action on safety measures and he was 'determined to . . . implement as quickly as possible the main and most urgent recommendations of the formal investigation'. Consultative documents had been issued on eight major sets of proposals, the first of which had become law; this covered the installation of vehicle deck door indicator lights, closed-circuit television monitoring of the doors and vehicle decks, and self-contained emergency lighting. Two other proposals, the introduction of boarding cards for the control of passenger numbers and the requirement for vehicle deck doors to be closed before a roll-on, roll-off ferry left her berth, would be dealt with by Orders in the near future; the former was expected to enter into force on 29 February. Further Orders would follow, while among other measures he had decided to make important changes in the duties of marine surveyors, who would devote more time to examining passenger vessels and carry out more spot checks.

International Implications

Mr Channon said that certain crucial measures would need to be applied to all passenger ferries sailing from British ports, irrespective of the flag of operation. It had been concluded that the majority of measures ought to be applied in this way, but other measures were also being pursued. In November 1987 he had taken an initiative at the International Maritime Organisation's assembly with the aim of obtaining early international agreement to many of the measures being proposed by the Government, and the assembly had endorsed a British resolution. Britain had also convened a meeting of shipping administrations of European countries to consider the possibility of action being implemented through their own laws. His main aim was to extend the safety measures being applied to British ships and in British ports to cover overseas vessels in overseas ports, as such ships, if bound for Britain, frequently contained large numbers of British passengers; while he also aimed to get international co-operation in enforcement. Britain had proposed, and received support for, the negotiation of a European ferry code.

Research

Mr Channon referred to some of the research being carried out on the safety of roll-on, roll-off ferries. One of the contracts being undertaken under the extra £1 million being provided was to assess proposals for new ship stability standards now before the International Maritime Organisation. Another project would be a programme on the basic design

of roll-on, roll-off ferries, and the Government's intention was that the first phase of this work should be completed by the end of 1988.

Safety

The Secretary of State then dealt with the clauses on marine safety. He said that the responsibilities of shipowners, managers, masters and crews were important to ensure that a ship was maintained and operated safely, and clause 30 created a new duty on shipowners to ensure the safe operation of their vessels. Other provisions tightened the duties of masters and their crews, and dealt with ships that were unfit to go to sea because of their condition. The new arrangements for handling marine accidents would involve the establishment of a statutory marine accident investigation branch, which would be separate from the Department of Transport's marine directorate and be free to take an independent view if an accident were to raise questions about the Department's regulatory policy.

Strategic Importance of Merchant Shipping

Mr Channon referred to the problems experienced by British shipping (such as intense competition from developing countries and overcapacity in bulk and tanker shipping) which had resulted in a decline in the tonnage on the British register,[1] and said that the experience of other developed countries had been similar. However, some sectors of British shipping had coped well with these problems. For example, the fleet of container vessels was about the same tonnage as in the mid-1970s, while over half of Britain's international freight earnings from shipping arose from liner and container fleets, although these represented only one-quarter of gross tonnage.

Merchant shipping was strategically important, and three specific measures in the Bill were designed to ensure that sufficient trained seamen were available to meet the defence needs of Britain in time of emergency. First, a training scheme would provide help to shipowners and management companies with the cost of employing merchant navy officer cadets while they were being trained. The Government intended to introduce the scheme from autumn 1988 and some £3·5 million was being allocated for the first full year of operation, 1989-90. Secondly, under the crew relief scheme, assistance would be available to compensate ship operators for a proportion of the cost of air travel for crew changes taking place in distant waters. The objective of the scheme, for which £5 million would be allocated during 1989-90, was to give companies an incentive to continue to employ officers and ratings resident in Britain in ships operating in deep-sea trades. Thirdly, a Merchant Navy Reserve would be established, comprising experienced seafarers who could be drawn on to supplement crews serving on merchant vessels supporting the defence forces in times of emergency. Membership would be open to former seafarers holding a valid certificate, and members would receive an annual bounty in exchange for accepting an obligation to serve if required.

[1]The British fleet has declined substantially from a peak of 53·4 million deadweight tonnes (33·7 million gross tonnage) in 1975 to 11·7 million deadweight tonnes (8·5 million gross tonnage) in 1987.

Registration

The main objective of the proposed changes in registration of ships other than fishing vessels was to ensure more effective jurisdiction over British registered ships. The new arrangements concerning ships registered in Crown dependencies and dependent territories, combined with substantial efforts being made by a number of dependent territories to improve maritime administration, would help to ensure that all ships under the British flag met the same high standards.

Mr Channon said that the second part of the Bill dealt with the very serious problem of overseas-owned fishing vessels registering in Britain in order to fish against Britain's allowable catch quota of fish under the European Community arrangements. The stringent new eligibility requirements for the registration of fishing vessels were essential if British fishing quotas were to be preserved for British fishermen.

LINK Collaborative Research Programme

The first five programmes in the Government's LINK initiative were announced on 3 February by the Secretary of State for Trade and Industry, Lord Young of Graffham, and the Secretary of State for Education and Science, Mr Kenneth Baker. Up to £83 million will be spent on the five programmes, of which the Government will provide up to half.

The LINK initiative, which was announced in December 1986 (see p 29, 1987), aims to accelerate the commercial exploitation of government-funded research and development by bringing together industry and 'the science base' (represented mainly by higher education and the research councils, but involving also government research centres and other research organisations). Over the next five years further LINK programmes are expected to take total spending by the Government and industry to at least £420 million.

The objectives of the scheme are to foster research in strategic areas, to stimulate a real increase in industrial investment in research and development, to strengthen links between industry and the science base, and to develop multidisciplinary technologies.

The first five programmes cover:

molecular electronics: a £20 million programme placing the emphasis on molecular materials with potential for applications in electronics;

advanced semiconductor materials: a £24 million programme aimed at improving the performance of microelectronic and optoelectronic devices, with a main focus on multilayer structures;

industrial measurement systems: a £20 million programme concentrating on the development of advanced integrated instrumentation and systems for improving quality and efficiency in the manufacturing and process industries;

eukaryotic genetic engineering: a £4·7 million programme aimed at increasing the understanding of molecular genetics, particularly of yeasts, fungi, plants and animals;

nanotechnology: a £12 million programme concerned with new technologies for machining, positioning, control and measurement where critical tolerances are in the range 0·1 to 100 nanometres (1 nanometre is 10^{-9} metres, or one-ten-millionth of a millimetre).

It is expected that programmes will be pursued for between three and five years, and that each programme will be made up of a number of projects lasting from one to five years. It must be demonstrated that LINK support will have an appreciable effect on the project, for it to be eligible. The Government's contribution over the lifetime of each programme will not exceed 50 per cent. In some cases, though, the Government may contribute more than 50 per cent in the early stages of a programme until such time as the commercial opportunities become clear. The lead responsibility for management of each programme will rest with one government department or research council.

Shorter Notes

RATE SUPPORT GRANT

The Government has announced the 1988-89 rate support grant settlement[1] for Scotland. Local authority relevant expenditure (expenditure taken into consideration when fixing grant) has been set at £4,277 million. Aggregate Exchequer Grant will amount to £2,371 million (55 per cent of relevant expenditure). Specific grants (for, among other things, law and order, housing improvement and the Urban Programme) will total £333 million, leaving £2,038 million for rate support grant. Of this, the needs element (which aims to give most help to those authorities with the greatest spending needs) is £1,730 million, the resources element (which is used to supplement the rate income of those authorities whose rateable value per head of population falls below a standard figure) is £216 million and the domestic element (which compensates authorities for loss of rate income from reductions in rate poundage which they are required to give to householders) is £92 million.

Source: *The Rate Support Grant (Scotland) (No. 3) Order 1987*. Scottish Office. HMSO, Edinburgh, £4·90. ISBN 0 10 220788 7.

[1]Rate support is a system whereby central government supplements the finances for current expenditure of local authorities so that they can provide services for which they are responsible to similar standards while reducing disparities in their rates. With the implementation of the Abolition of Domestic Rates Etc. (Scotland) Act 1987 (see p 97, 1987), the system of local government finance will be changed substantially.

CROWN SUPPLIERS

The Government's intention to sell the Crown Suppliers (a government trading fund which sells furniture, other equipment and services to the public sector) was announced by Mr Christopher Chope, Under-Secretary of State, Department of the Environment, in the House of Commons on 3 February. The Crown Suppliers is self-financing and operates on a commercial basis as a separate unit within the Department of the Environment. Turnover totalled £241 million in 1986-87 and it has some 1,900 employees.

Mr Chope said that he had considered the role of the Crown Suppliers in the light of the ending of the requirement of government departments to use purchasing agencies. Many of the activities of the Crown Suppliers were of a commercial nature and there was 'little doubt that they could be carried out more efficiently in the private sector'. Privatisation provided 'the brightest future for the Crown Suppliers as well as a continued source of competitive supplies for the public sector', and would also allow the organisation to have access to a wider market. The Government's view was that the private sector should be invited to bid for these commercial activities, although some operations would have to remain in the public sector, for security or other reasons. Businesses available for sale would include the provision of furniture, furnishings and other equipment for the public sector, and transport hire. The Government would seek advice from a financial institution on the best method of implementing the sale, and he intended to bring forward legislation to effect the transfer at an early opportunity.

Source: *Hansard*, Vol 126, No 86, col 983.

BUILDING SOCIETIES' POWERS

The Government has announced an extension of building societies' powers following a review of part of the Building Societies Act 1986 (see pp 12-14, 1986). Announcing the decision in the House of Commons on 2 February, the Economic Secretary to the Treasury, Mr Peter Lilley, said that the new powers represented a substantial step forward in building society development.

The review had had two purposes. The first was to examine whether the relevant part of the Act (schedule 8) could be recast so that it gave a broad specification of societies' powers, proscribing only certain particular activities, instead of banning everything except narrowly specified powers. It was thought that it would now be possible to do that.

A second purpose of the review had been to consider societies' request for a substantial extension of their powers. The Government was proposing six changes altogether. While the mainstream business of building societies would remain that of raising funds from the public for lending on house purchasing, on behalf of the personal sector rather than companies, societies should also be allowed to:

1 take equity stakes in life or general insurance companies;

2 undertake fund management generally (that is, not just for the provision of pensions, as at present);

3 take equity stakes in stockbroking firms;

4 offer a wider range of banking house-related services than hitherto.

There would be some limitations on these powers. It would not be appropriate for societies to become involved in market-making in stocks and shares, nor would it be desirable for them to become fully exposed to the risks inherent in general insurance business. Since some of the new activities permitted were supervised under the Insurance Companies Act 1982 or the Financial Services Act 1986, arrangements for the co-ordination of supervision would also be put in place.

Two other changes proposed were raising the limit on unsecured lending to individuals (that is, lending not secured upon a property) from £5,000 to £10,000; and providing for a staged increase by January 1993 in societies' asset limits to the maximum permitted by the Building Societies Act. The maximum levels would be 25 per cent of assets of non-residential mortgages and 15 per cent of unsecured lending; current levels are 15 and 5 per cent respectively.

Sources: *Hansard*, Vol 126, No 85, written answers, cols 537-9; HM Treasury press notice, 2.2.88.

EXPORT CREDITS GUARANTEE DEPARTMENT

The Export Credits Guarantee Department (ECGD), which provides credit insurance for British exporters and insures them against non-payment by overseas buyers, has launched a new project financing scheme. Under project financing, repayment of the loan provided to finance a project is made out of the charges made on the users of the completed project. These schemes differ from the ECGD's usual underwriting operations, where there is a guarantor who becomes liable if the project proves unsuccessful.

The new scheme will help British exporters to compete more effectively in the building and operation of large civil engineering projects by giving support in cases where finance is secured on the viability of the project. It represents another move by the ECGD towards increased flexibility and enhancing its responsiveness to customers' needs.

There are three options under the new arrangements. First, under standard political risk cover, the ECGD will insure against the whole of any loss arising from the political risks it traditionally insures against (for example, war risks or losses arising from restrictions on the transfer of foreign currency). Secondly, under additional political risk cover, full insurance will be provided against the whole of any loss arising from the failure by the government in the importing country to honour specific undertakings relating to the project (for instance, a failure to issue import licences). Thirdly, under commercial viability cover, the ECGD will insure up to 60 per cent of the total risk, with the British banks that provided the loan bearing the remainder; at least 10 per cent of the total loan will have to have been provided by a single bank.

In the year ended 31 March 1987 the ECGD insured business worth £13,880 million, representing almost 20 per cent of the value of Britain's visible non-oil exports.

Sources: ECGD press notices, 10.2.88 and 26.1.88.

DEVELOPMENT COMMISSION: PROGRAMME ASSESSMENT

An assessment, carried out for the Department of the Environment by a private consultancy firm, of the Development Commission's programmes for the development of rural areas in England concludes that the Commission has successfully supported a very wide variety of firms, which are generally independent, small, youthful and dynamic. A report by the consultants[1] confirms that the Commission (together with its executive agency, the Council for Small Firms in Rural Areas) has been generating thousands of new jobs each year. It is estimated that over 80 per cent of these have been taken by people living in rural areas. The Commission's ability to provide a range of complementary services is valuable to rural firms, the report says, and the present balance between activities (comprising the provision of premises, loans and advice) is about right, although there is scope for greater emphasis on advisory services, which have been particularly cost-effective in generating jobs. The premises which are provided will continue to have job generation potential over perhaps 30 years.

The report suggests two ways in which the private sector could play a somewhat greater role in factory building: competitive tenders could be sought from private developers for specified programmes of factory construction; and a higher rate of grant might be offered for the conversion of buildings to let. The Commission is looking into these suggestions.

The report also emphasises the importance of satisfactory arrangements for training; a panel set up by the Commission is currently investigating the possibility of a guide to best practice in the provision and co-ordination of training in rural areas.

Sources: *Hansard* (HL), Vol 492, No 60, written answers, cols 73-4; Department of the Environment press notice, 18.1.88.

SCOTTISH BUS GROUP

The Government's decision to seek powers at an early opportunity to privatise the Scottish Bus Group (the largest operator of bus services in Scotland) was announced by the Secretary of State for Scotland, Mr Malcolm Rifkind, in the House of Commons on 27 January. Through its 12 subsidiaries,

[1] *Developing the Rural Economy*. Available from ECOTEC Research and Consulting Ltd, Publications Section, Priory House, Steelhouse Lane, Birmingham B4 6BJ.

the Group is responsible for over half of Scotland's scheduled bus services in terms of vehicle mileage. It has over 3,000 buses and about 10,000 employees, and its turnover in 1986 amounted to £160 million. Together with Caledonian MacBrayne (responsible for providing ferry services), it forms the nationalised Scottish Transport Group.

Mr Rifkind said that all nationalised industries which had been privatised had benefited from taking control of their own affairs, and he was sure that the Scottish Bus Group would be no exception. The travelling public would benefit from the 'greater sensitivity to the market which a private sector company necessarily has'. Deregulation, under the Transport Act 1985 (see pp 78-80, 1985, and 384-5, 1987), had already brought increased competition and innovation. He was considering whether the Group should be privatised as a single company or as several regional companies, and was also examining the best future arrangements for Caledonian MacBrayne, consistent with the Government's commitment to the provision of shipping services to the Scottish islands. The privatisation would complement the major stimulus to be given to the Scottish economy by the proposed privatisation of the electricity industry.

Source: *Hansard*, Vol 126, No 81, col 311.

SOCIAL AND CULTURAL AFFAIRS

Social Trends

The eighteenth annual edition of *Social Trends*,[1] which brings together key social statistics about Britain, was published in January. The 12 chapters correspond closely to the administrative functions of government, and the statistical tables and graphs are supplemented by a commentary on social policies and conditions. This edition includes an article on the major epidemics of the twentieth century – including lung cancer, coronary thrombosis and AIDS.

Example of some of the survey's most significant statistics are given below.

Population

The population of Britain grew steadily up to 1971 but since then has remained fairly constant, and only slow growth is projected up to 2025. In 1986 the population was just under 57 million; it is expected to reach 60 million by the year 2025. However, the age structure of the population has changed, with a lower proportion of children aged under 15 in 1986 than in 1971, and a higher proportion of people aged 65 or over. The elderly population aged 85 or over is projected to double from some 0·7 million in 1986 to 1·4 million by 2025.

There were 755,000 live births in Britain in 1986, 15 per cent more than in 1977, when births were at their lowest level for many years, but nearly 26 per cent fewer than in 1964, when they were at their peak. In England and Wales the number of births per thousand women aged 20-24 fell by over 39 per cent between 1971 and 1986, reflecting the recent trend to delay starting families.

Households and Families

One of the most notable features of the period since 1945 has been the increase in people living alone: in 1986 nearly a quarter of households in Great Britain (England, Wales and Scotland) contained only one person, compared with about one-tenth in 1951. At the same time the proportion of households containing five or more people has halved, and is now less than one-tenth. These changes have led to a reduction in average household size, from 2·91 people in 1971 to 2·56 people in 1985. One-person households in Great Britain are projected to increase further from 5·2 million in 1986 to 6·6 million in 2001.

The majority of dependent children in Great Britain live in a 'traditional' family – with one or more dependent children and a married couple. However, the proportion of such children fell from 76 per cent in 1972 to 69 per cent in 1985. The proportion of children living in one-parent families has risen during the same period from 8 to 13 per cent. Illegitimate births in Britain have risen steeply from 61,000 in 1976 to 158,000 in 1986. However, two-thirds of illegitimate births were registered by both parents in 1986 in England and Wales, compared with about half in 1976. These figures suggest that at least half the children born outside marriage in 1986 had parents who were living together and likely to bring up the child within a stable union. Cohabitation has become much more common in Britain in recent years (see p 27).

Education

There has been a marked rise during the past 30 years in the level of qualifications held by the population of Great Britain. There has been both a rise in the general level of attainment and an increase in the proportion of people who gain a qualification; in 1985, 74 per cent of those aged 25-29 held an educational qualification, compared with only 42 per cent of those aged 50-59, while 11 per cent of those aged 25-29 held a degree or equivalent qualification, compared with only 6 per cent of those aged 50-59. In higher education, the number of women participating rose by 87 per cent to 383,000 between 1970-71 and 1985-86, while the number of men rose by 33 per cent to 553,000. There has been an increase in the numbers of children benefiting from pre-school education: in 1986 those aged under 5 who went to school accounted for 47 per cent of the 3- to 4-year-old population in Britain, compared with 21 per cent in 1971.

Income and Wealth

Real household disposable income per head rose on average by 2·5 per cent a year between 1976 and 1986. Earnings from employment are the main source of income for most people. There is still a large difference in the average earnings of full-time working women, compared with full-time working men. For example, in 1986 a full-time woman manual worker could expect, on average, to earn only 62 per cent of a full-time male manual worker's wage.

The percentage share of pre-tax income of the top 1 per cent of taxpayers increased from 5·7 per cent to 6·1 per cent between 1975-76 and 1984-85, while that of the bottom 50 per cent decreased from 23·8 per cent to 22·2 per cent. The percentage of income

[1] *Social Trends 18*, HMSO, £21. ISBN 0 11 620293 9.

paid in income tax and employees' National Insurance contributions together rose until 1982-83 but then decreased (see pp 64-6). Nearly all income groups paid less in 1986-87 and this fall is predicted to continue during 1987-88. Tax paid as a percentage of pre-tax income has fallen for all income groups: for the top 1 per cent of taxpayers it fell from 46 per cent in 1975-76 to 36 per cent in 1984-85, while for the bottom 50 per cent it fell from 9 to 4 per cent.

A major theme of current government policy is the promotion of wider share-ownership among individuals; a survey in 1987 estimated that nearly 20 per cent of the adult population own shares (see p 138, 1987).

Expenditure

Total consumers' expenditure increased by almost 5·5 per cent between 1985 and 1986 in Britain. On average, households spent about £10 per person per week on food in Great Britain in 1986. Since 1961 consumption of butter, milk and cream and most red meats has fallen, while consumption of margarine and poultry has risen. Spending on television and video more than doubled in real terms between 1978 and 1986, while that on tobacco fell by a quarter. The proportion of households with a colour television almost doubled in Great Britain between 1975 and 1986, to reach 86 per cent.

Consumer credit has increased substantially: the amount of outstanding consumer debt was £31,000 million in Great Britain at March 1987, having nearly doubled in real terms since March 1982. The high proportion of household expenditure financed through credit and the growth in the amount of consumer debt in recent years have been partly accounted for by the growing number of people who use credit cards as a method of payment for goods and services. At the end of 1986 there were 12·1 million Visa cards in issue and 9·8 million Access cards, compared with 3·3 million Visa cards and 3·1 million Access cards in 1975. Between 1975 and 1986 the total value of transactions in which these cards were used increased from £600 million to £13,200 million, while the number of transactions increased from 59 million to 451 million. Increasing numbers of adults in Great Britain have a building society account: the proportion rose from 15 to 64 per cent between 1968 and 1986.

Housing

More people in Britain now own their own homes – the number of owner-occupied dwellings almost doubled between 1961 and 1986, from just over 7 million to over 14 million. There was an expansion in the owner-occupied share of the total housing stock from 43 to 63 per cent over this period, while the number of rented dwellings declined by about one-eighth. Since 1978 the private sector has completed more houses each year than the public sector; in 1986 private sector house completions (169,000) represented 82 per cent of all house completions in Britain.

Transport and the Environment

There has been a long-term decline in the use of public transport, while the use of private road vehicles has trebled since 1961. In 1986 cars, taxis and motorcycles accounted for 83 per cent of all passenger kilometres travelled in Great Britain, compared with less than 55 per cent in 1961. The rapid growth in car ownership during the 1960s has subsequently slowed: between 1961 and 1969 the proportion of households with the regular use of one or more cars rose from 31 to over 50 per cent, but by 1986 it had only risen to 63 per cent. However, among car-owning households, the proportion with at least two cars has continued to rise steadily – from 2 per cent of all households in 1961 to 18 per cent in 1986. The proportion of households without the regular use of a car has fallen from 69 per cent in 1961 to 37 per cent in 1986.

There has been a growing concern in recent years about environmental problems; disposal of nuclear waste and pollution of rivers and seas by chemicals were the issues which most worried respondents to a Department of the Environment/National Opinion Poll survey on public attitudes to the environment in 1986.

Leisure

The trend over the past 25 years or so has been towards a reduction in working hours and an increase in holiday entitlement. Most employees' holiday entitlement in Britain has at least doubled: in 1961, 97 per cent of full-time manual employees had a basic entitlement of only two weeks' holiday with pay; by 1986 all full-time manual employees were entitled to four weeks or more, and 23 per cent to five weeks or more. The number of British residents taking holidays overseas more than doubled between 1971 and 1986, from 7 million to 17 million. Most holidays were taken elsewhere in Europe, with Spain being the most popular destination – about one-third of overseas holidays were spent there. Other destinations of growing popularity are Portugal and Turkey.

At home, television viewing remains a popular leisure activity, particularly in the winter months. On average men watched 25 hours 35 minutes of television a week and women 30 hours 42 minutes in the winter of 1987. Since 1979 video has become readily available: there was a substantial increase from 18 to 31 per cent between 1983 and 1985 in the proportion of households in Great Britain with a video cassette recorder.

Participation in the Community

Many people are involved in work carried out by charities, of which there were over 158,000 registered with the Charity Commission in England and Wales in 1986. Their estimated total income nearly doubled in real terms over the ten years to 1985-86, to reach almost £12,700 million, of which 15 per cent came from fund-raising and donations. The charity with the highest voluntary income in 1986 was Oxfam with £42·7 million; the National Trust had the highest total income (including rents, investments, statutory grants and fees), which reached £68·3 million. The relatively new Band Aid Trust raised over £110 million worldwide for famine relief in Africa by mid-1987 (see p 189, 1986). There was a sharp rise in voluntary membership of environmental organisations such as the National Trust and the Royal Society for the Protection of Birds between 1971 and 1986.

About 75 per cent of the electorate exercised their right to vote in the 1987 General Election, a greater proportion than in 1983, but much the same as in 1979 (see p 187, 1987).

Law Enforcement

The number of notifiable offences recorded by the police in England and Wales rose by 6·5 per cent between 1985 and 1986, an increase similar to the average annual rate since 1981. The number of persons found guilty or cautioned for indictable offences fell by 11 per cent in 1986 compared with 1985, having risen gradually since 1981. The average population in British prisons in 1986 was 54,200, a rise of 1·3 per cent over 1985.

Health

Life expectancy at birth is now 71 years for boys and 77 years for girls, compared with 48 and 52 years respectively for those born around the beginning of the century. The number of adult cigarette smokers was down to one in three by 1984: among men the proportion of smokers fell from 52 per cent in 1972 to 36 per cent in 1984, a decline of almost a third. Cigarette smoking among women also declined in the same period, from 42 per cent to 32 per cent. In 1985 Britain had the lowest road accident death rate of all the European Community countries, at 9 per 100,000 population. More people are being treated in fewer hospital beds: the number of patients treated per bed per year has increased from 12 in 1971 to 19 in 1986.

Major Epidemics of the Twentieth Century

In his article, Sir Richard Doll, an eminent epidemiologist, asserts that none of the changes which have transformed society in the last 100 years has been more important for the individual than the changes in the annual risk of disability and death. Rates of mortality have been almost halved, with the expectation of life increasing from 54 to 77 years. However, the steady downward trend in mortality rates slowed between 1950 and 1975, reflecting the new epidemics of lung cancer and coronary thrombosis, although both of these have now begun to wane.

Lung cancer was thought to be a rare form of cancer until the 1920s, when it began to appear more often as the certified cause of death. Over the next 50 years the death rate from lung cancer rose steadily, reaching a peak in men in England and Wales in about 1973, when nearly 9 per cent of male deaths from all causes were attributed to it; 4 per cent of female deaths from all causes are attributed to it each year and the rise is still continuing among women over 55 years of age. Lung cancer has been responsible for nearly 1 million premature deaths in the last 50 years, accounting for approximately 3·5 per cent of deaths in men and women over 25 years of age. The major cause was the increase in cigarette smoking, which began about 100 years ago. The reduction in smoking among men in the last 12 years, combined with the introduction of low-tar cigarettes, has already produced a notable effect, with a resulting decline in mortality in men at all ages under 80 years.

Clinical accounts suggest that there has been a large increase in the incidence of coronary thrombosis over the last 100 years, with a fiftyfold increase in the mortality rate from coronary disease for both men and women until the early 1970s, when the disease was responsible for 30 per cent of deaths in men and for 23 per cent in women. Some part of the increase was due to increased consumption of cigarettes, but higher levels of blood cholesterol accounted for the greater part. Much of the recent decrease in mortality from coronary disease can be attributed to the changes that have taken place in the national diet over the past ten years, as well as to the reduction in cigarette smoking.

The other notable epidemic of the twentieth century is AIDS, the Acquired Immune Deficiency Syndrome. Although the disease cannot yet be said to have caused a major epidemic in Britain, as only 1,013 cases had been reported by the end of August 1987, Sir Richard says that it is certain to do so, as tens of thousands are already infected with the HIV virus, a large proportion of whom are expected to develop the disease. AIDS in Britain is developing along the same lines as in the United States, but nearly three years later and rather more slowly. Over 90 per cent of patients are homosexual males or addicts taking drugs intravenously. (See also below.)

World Summit on AIDS

The World Summit of Ministers of Health on Programmes for AIDS Prevention, which was held in London in January, issued a joint statement affirming the need for all governments to implement the World Health Organisation's strategy for co-ordinating international action against the disease. Speaking at the opening ceremony the Secretary of State for Social Services, Mr John Moore, announced the British Government's intention to provide an additional £4·5 million towards the funding of the WHO's Special Programme on AIDS for 1988-89.

The summit, which met in London from 26 to 28 January, was jointly organised by the British Government and the World Health Organisation (WHO). Delegations from 149 countries and eight British dependent territories attended and 114 countries were represented by ministers. The proceedings included presentations by WHO experts on health promotion as a means of AIDS prevention; education programmes for specific groups; counselling; and programmes for health workers. In addition national statements were delivered by health ministers from 101 countries.

Joint Statement

In the joint statement – to be known as the London Declaration on AIDS Prevention – the ministers expressed their commitment to ensuring that their governments acted urgently to implement the WHO global strategy on AIDS. They recognised the central importance of public education and information programmes, and the need for such programmes to take full account of social and cultural patterns. They

agreed on the need to protect human rights and human dignity and to avoid discrimination against and stigmatisation of HIV-infected people and people with AIDS.

The ministers considered that the media should be urged to fulfil their social responsibility to provide factual and balanced information on AIDS and on ways of preventing its spread; and that the involvement of all relevant governmental sectors and non-governmental organisations in creating the supportive environment necessary to implement AIDS prevention programmes and humane care of affected individuals should be sought. They also appealed to those involved in dealing with drug abuse to intensify their efforts to contribute to the reduction in the spread of HIV infection.

The ministers concluded by declaring 1988 a year of commitment and co-operation about AIDS and expressing the conviction that the promotion of responsible behaviour and international co-operation would slow the spread of HIV infection.

Secretary of State's Speech

Speaking at the opening of the summit, Mr John Moore reaffirmed the Government's commitment to supporting the international fight against AIDS by announcing the provision of £4·5 million towards the WHO Special Programme on AIDS in addition to the £3·25 million already given to that programme. The Secretary of State referred to the need for a global response to contain AIDS, and to the vitally important role of the WHO Special Programme in that context.

Turning to the central theme of the summit – that of strategies of public information and education on AIDS – Mr Moore said that in the absence of a vaccine to prevent HIV infection or of a cure for AIDS itself, public education represented the best chance of reducing the incidence of the disease. He considered the public education message had a much greater chance of general acceptance if governments gave a lead and themselves demonstrated commitment to the fight against AIDS. For that reason the British Government had aimed to produce a co-ordinated response across all its departments. This comprised action on public education; infection control and surveillance; research; and the development of health and other services for people with AIDS or HIV infection.

In conclusion Mr Moore said that AIDS raised many difficult cultural, ethical and practical questions. The problems were compounded by the fact that the main ways by which the infection might be transmitted involved very sensitive areas of personal behaviour. However, effective action to contain and finally defeat the disease was dependent on governments' confronting, and not avoiding, uncomfortable issues. A general consensus on the measures to be taken had to be established. This required the exercise of political leadership and the harnessing of general political will; the consequences of not doing this would be dire.

Further Government Support for Voluntary Organisations

Further government assistance has been made available to voluntary organisations working in the AIDS field. In his opening speech at the summit, the Secretary of State for Social Services paid tribute to the role of the voluntary organisations and announced that the National AIDS Trust (an independent charitable trust set up in 1987 to provide funding to voluntary bodies) would receive £500,000 for distribution to the voluntary sector. On 22 January (*Hansard*, Vol 125, No 78, col 887) the Minister for Health, Mr Tony Newton, announced further support for the voluntary organisation London Lighthouse, whose aim is to provide a hospice, home support service, counselling, training and an information service for AIDS sufferers. In addition to the grant of £500,000 already approved, the Government would be making available a further grant of £750,000, bringing its total contribution to £1·25 million.

The WHO Special Programme on AIDS and Global AIDS Strategy

The WHO Special Programme on AIDS, established in February 1987, aims to co-ordinate and direct the global fight against AIDS. Its two main components are: to provide global leadership and promote international collaboration and co-operation; and to support national AIDS prevention and control programmes. The global AIDS strategy, developed by the Special Programme, has three objectives: to prevent HIV infection; to reduce the personal and social impact of HIV infection, including the care of those already infected with HIV, and with AIDS; and to unify national and international efforts. The strategy is based on the principles that public health must be protected; human rights must be respected and discrimination prevented; enough is now known to prevent the spread of HIV, even though a vaccine is not yet available; education is the key to AIDS prevention because HIV transmission can be prevented through informed and responsible behaviour; AIDS control will require a sustained social and political commitment; all countries need a comprehensive national AIDS programme, integrated into national health systems and linked within a global network; and systematic monitoring and evaluation is essential if the strategy is to be effective.

[For further information on measures taken in Britain to control AIDS, see pp 386-7, 1987 and COI reference paper *AIDS Control in Britain*, No 290/87.]

Housing (Scotland) Bill

The Housing (Scotland) Bill, which gives effect to many of the proposals outlined in the White Paper on housing in Scotland (see pp 431-2, 1987), has received its second reading in the House of Commons. It aims to extend housing choice by establishing a new housing body for Scotland, to be called Scottish Homes, and by making changes relating to rented housing.

Main Provisions

The first part of the Bill makes provision for the establishment of the new housing body, Scottish

Homes, which will be an enabling body with a wide range of general functions and powers, both providing financial assistance to housing associations and others, and directly owning, managing and disposing of housing. The Bill transfers to Scottish Homes the registration and supervision powers of the Housing Corporation (see footnote, p 429, 1987) over housing associations which have their registered office in Scotland, and provides for the transfer to Scottish Homes of the property, staff and liabilities of the Scottish Special Housing Association and certain of those of the Housing Corporation. It empowers the Secretary of State for Scotland to determine the financial duties of Scottish Homes.

The remainder of the Bill concerns changes to rented housing, which are broadly similar to those in the Housing Bill for England and Wales (see pp 428-30, 1987). It creates two new types of tenancy for lettings by private landlords – the assured tenancy and the short assured tenancy – and provides for tenants of certain public sector landlords to transfer, with their existing homes, to a new landlord, who must be approved by Scottish Homes.

PARLIAMENTARY DEBATE

The Bill was given its second reading in the House of Commons on 11 January by 315 votes to 210 (*Hansard*, Vol 125, No 69, cols 41-118).

Government View

Opening the debate, the Secretary of State for Scotland, Mr Malcolm Rifkind, said that the Bill came towards the end of a decade of substantial and significant achievement in Scottish housing, for example, in the rapid expansion of the housing association movement and in the growth of home ownership. He identified three main objectives of the Government's housing policy in Scotland: to bring about a major regeneration of the peripheral housing estates, particularly in central Scotland; to increase substantially the level of home ownership (which was lower than in the rest of Britain and most other countries in Western Europe); and to widen the forms of tenure available. At present there was a 'mismatch of housing to people's needs', and, in certain parts of Scotland, the lack of 'a meaningful choice other than the municipal housing sector'. The Bill sought to deal with housing needs and problems in three ways: by the creation of Scottish Homes; by a major attempt to attract substantial private sector investment to complement that of the public sector; and by providing new rights for public sector tenants to choose their own landlord.

In respect of Scottish Homes, Mr Rifkind stressed that the concept of a unified housing agency in Scotland had been very warmly welcomed, and that it offered tenants 'an unprecedented opportunity' to exercise as wide a choice as they believed appropriate. It would be the means of attracting the major private sector investment crucial to the regeneration of housing in Scotland. The Secretary of State pointed out that rents for both types of new tenancy proposed in the Bill would be freely negotiable between landlord and tenant, and that tenants who could not afford reasonable rents would be supported by the system of housing benefit. The Bill confirmed security of tenure and strengthened the law against harassment by landlords. The effect of the Bill's proposals to give tenants in the public sector the right to seek an alternative landlord would be 'to open local authority and other public sector housing estates to competition and to the influence of the best housing management practices of other landlords'.

Opposition Views

For the official Opposition, Mr Donald Dewar said that the Bill would damage the interests of many tenants in both the private and public sectors. While he was not against the concept of a unified housing agency such as Scottish Homes, he objected to the extent of its proposed powers, and believed that the Bill was an attempt 'to undermine and encroach on the proper responsibilities of local government'. The reduction in security of tenure, removal of restriction on rent levels and proposed changes to housing benefit provision would lead to hardship for tenants and an opportunity for their exploitation by landlords.

For the Liberal Party, Mr Archy Kirkwood agreed with the three housing objectives put forward by the Secretary of State, but felt they could not be attained without the involvement of all public, private and voluntary sector agencies and without a policy of diverse initiatives adequately financed by public and private money. The opportunity to deal with the important issue of homelessness, which required an urgent and strategic overall campaign, had been missed.

Government Reply

Replying for the Government, Lord James Douglas-Hamilton, Parliamentary Under-Secretary of State, Scottish Office, said that Scottish Homes would be 'a strongly resourced body with the capacity to ensure ... co-ordination' among the different agencies by being 'a funder and provider of houses, an enabler and promoter, and, above all, a partner'. The Government was committed to maintaining an effective legislative framework to help the homeless, and the proposals to reform the private rented sector would bring many houses back into circulation. Safeguards were built into the Bill to prevent the charging of excessive rents, and measures to prevent harassment and illegal eviction of tenants had been strengthened.

Shorter Notes

INTERNATIONAL DRUG TRAFFICKING

An agreement to intensify co-operation against drug trafficking was signed between Britain and the United States on 9 February.

The Drug Trafficking Offences Act 1986 (see pp 69-71, 1986) empowers the British Government to enter into reciprocal agreements with other governments to recover the traffickers' proceeds, and the agreement with the United States is the first to take

advantage of these powers. It will enable each country to assist the other in freezing and confiscating assets representing the proceeds of drug trafficking, and to take steps at the request of the other to investigate financial dealings, including bank records, for the purpose of investigations into drug trafficking.

Source: Home Office press notice, 9.2.88.

THE HEALTH SERVICE IN ENGLAND: ANNUAL REPORT 1986-87

The fourth annual report on the health service in England, published in January, shows that for the year 1986-87 total expenditure on the National Health Service in England was nearly £16,000 million, an increase of £1,000 million on the previous year, and that in 1986 record numbers of people were treated as in-patients (some 6 million) and as out-patients (nearly 38 million).

In his foreword to the report the Secretary of State for Social Services, Mr John Moore, said that while this level of activity was remarkable, the health service should not be just a 'sickness service': one of the major tasks facing it was the promotion of better health (see pp 424-5, 1987). The challenges posed by AIDS, heart disease and many other major diseases could only be tackled effectively by the active promotion and pursuit of good health.

The report gives, for the first time, more detailed information on specific health issues where there have been developments of interest and importance, in particular, primary health care, prevention of ill-health and the fight against AIDS. As regards primary health care, on an average working day in England about 667,000 people consult their family doctor, about 270,000 go to the dentist and more than 75,000 are visited by nurses or other health professionals working in the community. In 1986-87 some £4,800 million was spent on primary health care in England. On AIDS control, the report outlines the Government's comprehensive four-part strategy: this comprises public health measures such as screening blood donations; public education; research; and development of services for those infected with the disease (see pp 386-87, 1987 and p 77). The report also outlines the main targets of the NHS prevention and health promotion strategy: these include campaigns to discourage people from smoking and to reduce the risk of coronary heart disease by sensible eating and drinking, and the development of computerised call and recall cancer screening services for women (see pp 109-10, 1987).

Sources: *The Health Service in England: Annual Report 1986-87.* HMSO, £7.50. ISBN 0 11 321122 8; Department of Health and Social Security press notice, 12.1.88.

INNER LONDON EDUCATION AUTHORITY

In order to achieve a more cost-effective and responsive education service for inner London, the Government proposes to table amendments to the Education Reform Bill (see pp 426-8, 1987) to abolish the Inner London Education Authority (ILEA) and to transfer responsibilities for education to individual local authorities from 1 April 1990. Announcing this in the House of Commons on 4 February, the Secretary of State for Education and Science, Mr Kenneth Baker, said that a single education authority for inner London could be justified only if it provided a good education service at an acceptable cost. In fact, the ILEA's spending was much higher than that of other education authorities in comparable urban areas. 'Between 1981 and 1988 its spending increased from about £700 million to over £1,000 million – while over the same period its pupil numbers have fallen by 15 per cent ... This increase in expenditure has in no way been reflected in improved pupil performance, which remains disappointingly low.' The failure of the ILEA was due in part to its unmanageable size; its administration was cumbersome, excessively costly and too distant from its clients.

The Government wanted to improve standards of education in London and to bring costs under control, and the way to do this was to enable each inner London council to become the local education authority for its area. The arrangements for transferring functions would follow closely those established at the time of the abolition of the Greater London Council (see pp 108-9, 1986). All local councils would be required to publish in 1989 a development plan outlining their proposals for organising the transfer of responsibilities and the services that they would run; the Government would issue statutory guidelines on the subjects to be covered in the plan which would provide the basis for property and staff transfer arrangements. There would need to be some co-operation between inner London boroughs to maintain certain aspects of education provision; it was to be hoped that in most cases such co-operation would be voluntary, but where this could not be achieved the Secretary of State already had powers to require groups of boroughs to form joint education committees.

Source: *Hansard*, Vol 126, No 87, cols 1178-9.

WOMEN AND PUBLIC APPOINTMENTS

New guidelines on the appointment of women to public bodies have been issued to government departments by the Equal Opportunities Commission and the Cabinet Office in an effort to tackle the problem of women's under-representation in public life. There are just under 45,000 places to be filled on public bodies and more than half of the holders of these are nominated and appointed by government departments. (The remainder are filled by government appointment from names put forward by such concerns as trade unions, industrial firms and local authorities.) At present only about one-fifth of public appointments go to women, the largest proportion of whom are found in local and regional bodies like district health authorities and social security appeals tribunals; fewer women serve on central bodies that have executive functions or advise government.

The guidelines explain the requirements of the employment provisions of the sex discrimination legislation. Civil servants who advise ministers on public appointments are encouraged to promote equal opportunity in public life, which is regarded not only as a worthwhile objective in itself but also as a means of fostering equal opportunities in all other spheres of life.

Women are under-represented in the higher positions in industry, academic institutions and public sector employment for a number of reasons, not least of which is past discrimination. Nevertheless, many possess appropriate qualities to merit public appointment. They have a wide variety of interests and expertise, and hence should not always be channelled into traditional 'women's areas' such as health and the caring services. While child rearing interrupts the careers of women and puts them at a disadvantage when returning to work, it can provide valuable experience relevant to public life, as can participation in voluntary activities for which women are noted.

In order to increase the available supply of women candidates for appointment to public bodies the guidelines suggest that it is vital to enlist the help of nominating bodies, which themselves should be drawn from a broader range than has been the case in the past. Women already serving on public bodies should be asked for the names of women nominees, and voluntary organisations in special interest areas such as banking and management could also nominate suitable women. Lastly, government departments might consider advertising public appointments to attract more women applicants and using feature stories in the media about women in public life to stimulate a wider interest in public appointments among women.

Source: *Women and Public Appointments: Guidelines for Government Departments.* Equal Opportunities Commission and Public Appointments Unit. Available free from the Policy Unit, EOC, Overseas House, Quay Street, Manchester M3 3HN.

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